Central Ohio Transit Authority

Financial Statements for the Years Ended December 31, 2003 and 2002 and Reports Issued Pursuant to OMB Circular A-133 for the Year Ended December 31, 2003

Auditor of State
Betty Montgomery

Board of Directors
Central Ohio Transit Authority

We have reviewed the Independent Auditor's Report of the Central Ohio Transit Authority, Franklin County, prepared by Deloitte & Touche 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 Central Ohio Transit Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 29, 2004

This Page is Intentionally Left Blank.

CENTRAL OHIO TRANSIT AUTHORITY

TABLE OF CONTENTS

Deloitte

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Central Ohio Transit Authority and
Ms. Betty Montgomery, Auditor of State, State of Ohio

We have audited the accompanying balance sheets of Central Ohio Transit Authority (the "Authority") as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in equity, and of cash flows for the years then ended. 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 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 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.

As described in Note 2 to the financial statements, in fiscal year 2003, the Authority has implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus,* and Statement No. 38, *Certain Financial Statement Note Disclosures,* effective January 1, 2003.

Management's Discussion and Analysis on pages 2 – 14 is not a required part of the basic financial statements but is supplementary information required by the GASB. This supplementary information is the responsibility of the Authority's management. 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 a report dated April 28, 2004 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Deloitte & Touche LLP

April 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Central Ohio Transit Authority (the "Authority" or COTA), 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 has net assets of $116.2 million. These net assets result from the difference between total assets of $126.9 million and total liabilities of $10.7 million.

- Current assets of $32.9 million primarily consist of non-restricted cash and cash equivalents of $17.5 million; sales tax receivable of $11.7 million, and inventory of $2.2 million.

- Current liabilities of $9.6 million primarily consist of accrued payroll and fringe benefits of $5.6 million, and accounts payable of $2.6 million.

- The Authority has no long-term debt.

Basic Financial Statements and Presentation

New Accounting Pronouncements

Effective January 1, 2003, the Authority implemented the provisions of Government Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus,* and No. 38, *Certain Financial Statement Note Disclosures.* These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis.

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

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

The Statements of Cash Flows allow 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 statements are classified into four categories: 1) cash flows from operating activities, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

Notes to the Financial Statements

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

Financial Analysis of the Authority

Condensed Summary of Net Assets

The Authority's comparative analysis of the condensed summary of Net Assets is as follows:

	2003	2002
Current Assets	$ 29,246,365	$ 32,493,484
Board Designated Assets (current)	3,190,438	4,673,375
Restricted Assets (current)	437,146	149,287
Board Designated Assets (non-current)	11,724,156	11,984,665
Capital Assets (net of accumulated depreciation)	82,306,157	82,073,263
Total Assets	126,904,262	131,374,074
Current Liabilities	9,609,749	9,800,813
Non-Current Liabilities	1,080,600	1,214,380
Total Liabilities	10,690,349	11,015,193
Net Assets Invested in Capital Assets	82,306,157	82,073,263
Net Assets Restricted for Capital Assets	437,146	149,287
Net Assets Unrestricted	33,470,610	38,136,331
Total Net Assets	$ 116,213,913	$ 120,358,881

Most of the Authority's net assets reflect investment in capital assets such as buses, maintenance equipment, and operating facilities. The Authority uses these capital assets to provide public transportation services for Franklin County and portions of the cities of Columbus, Reynoldsburg, and Westerville that are located in counties adjacent to Franklin County.

Condensed Summary of Revenues, Expenses and Changes in Net Assets

Description	2003	2002
Operating Revenues (Expenses)		
Operating Revenues	$ 12,977,772	$ 13,811,406
Operating Expenses, Excluding Depreciation	(71,091,115)	(67,850,330)
Depreciation Expenses	(10,938,634)	(13,644,144)
Operating Loss	(69,051,977)	(67,683,068)
Non-Operating Revenues		
Sales Tax Revenues	43,773,881	41,244,787
Federal Operating Grants and Reimbursements	10,874,105	12,400,518
State Operating Grants, Reimbursements and Special Fare Assistance	721,556	859,901
Investment Income	423,413	899,678
Non-transportation and Other Revenues	440,485	1,184,061
Total Non-Operating Revenues	56,233,440	56,588,945
Capital Grant Revenue	8,673,569	3,476,162
Change in Net Assets during the Year	(4,144,968)	(7,617,961)
Net Assets, Beginning of Year	120,358,881	127,976,842
Net Assets, End of Year	$ 116,213,913	$ 120,358,881

Financial Results – Expenses (Excluding Depreciation)

The following table shows the Authority's expenses, excluding depreciation. The Authority's major investment is in its employees as shown by the percentage incurred for labor and fringe benefits.

EXPENSES BY OBJECT CLASS
(Excluding Depreciation)
(Thousands of Dollars)

	2003	2002	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Labor	$ 32,752	$ 32,590	$ 162	0.5 %
Fringe Benefits	19,934	18,769	1,165	6.2
Materials and Supplies	6,655	5,483	1,172	21.4
Purchased Transportation	4,257	3,877	380	9.8
Services	3,808	3,765	43	1.1
Other Expenses				
Utilities	1,337	1,173	164	14.0
Taxes	654	621	33	5.3
Leases and Rentals	523	558	(35)	(6.3)
Claims and Insurance	390	337	53	15.7
Miscellaneous	781	677	104	15.4
TOTAL	$ 71,091	$ 67,850	$ 3,241	4.8 %

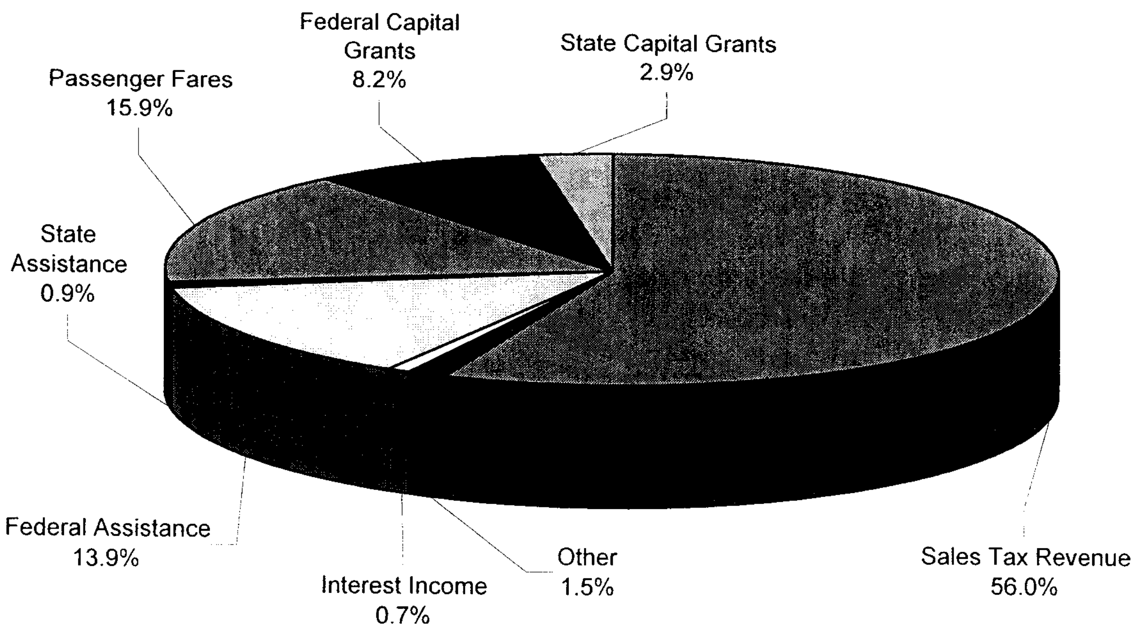
The Authority's expenses, excluding depreciation, can also be classified by functional category as defined by the Authority's 2003 National Transportation Database Report and summarized in the following table:

EXPENSES BY FUNCTION
(Excluding Depreciation)
(Thousands of Dollars)

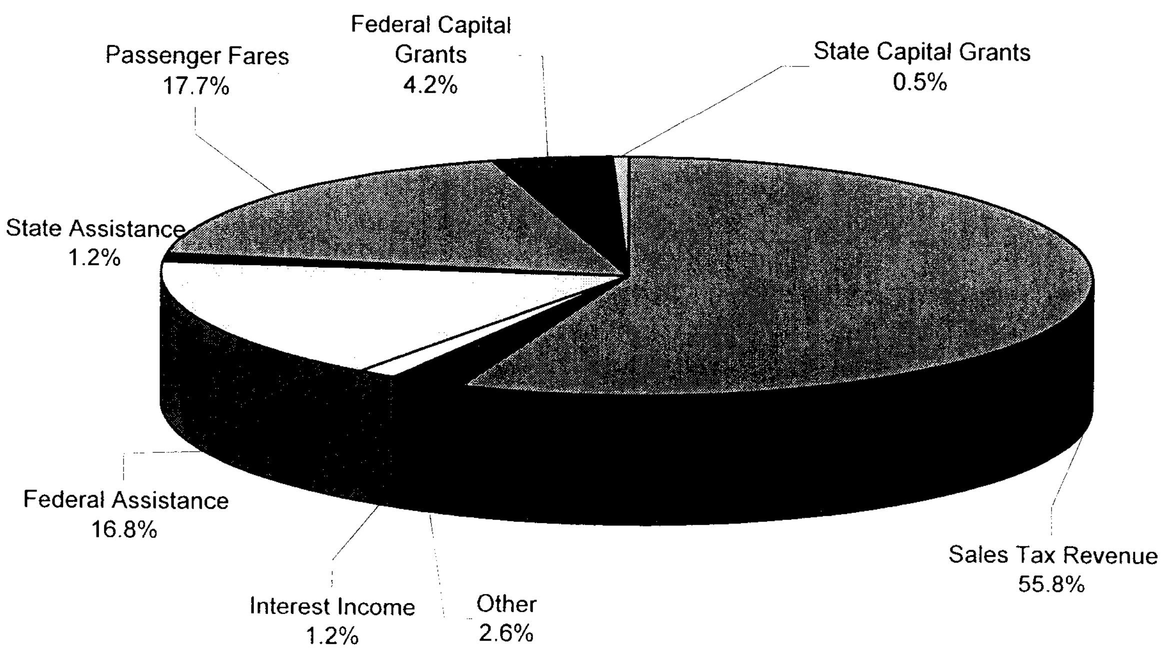
	2003	2002	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Transportation	$ 39,394	$ 37,952	$ 1,442	3.8 %
Vehicle Maintenance	12,816	11,630	1,186	10.2
Facilities Maintenance	4,962	4,838	124	2.6
General and Administrative	13,919	13,430	489	3.6
TOTAL	$ 71,091	$ 67,850	$ 3,241	4.8 %

CENTRAL OHIO TRANSIT AUTHORITY
Revenues by Source

2003 Total Revenues
$77,884,781

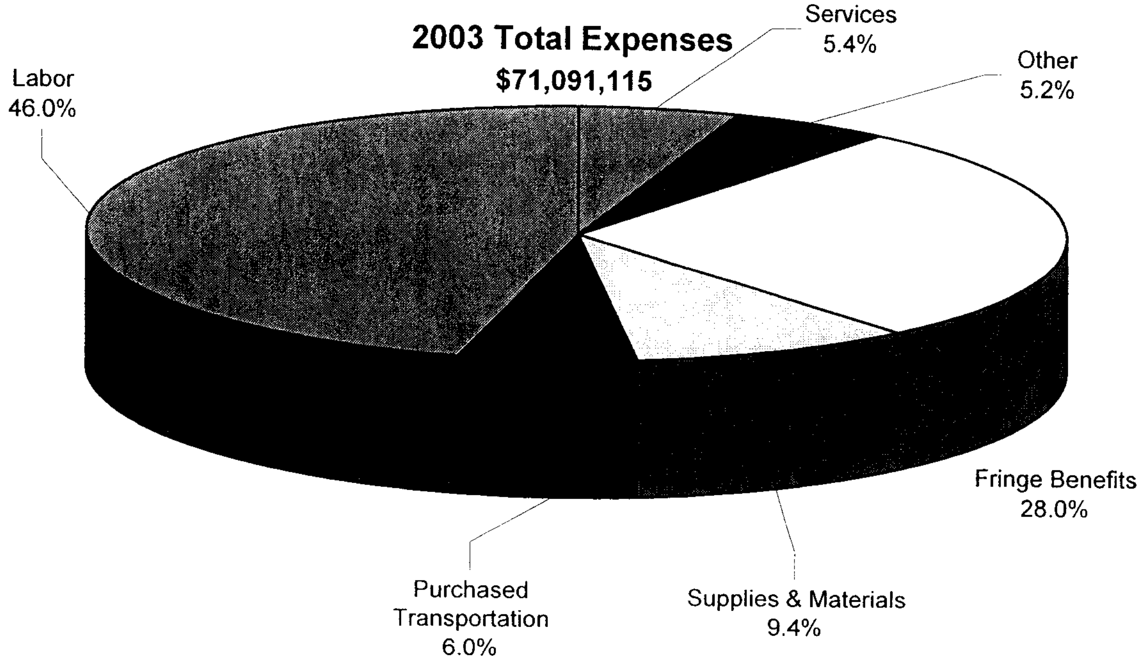


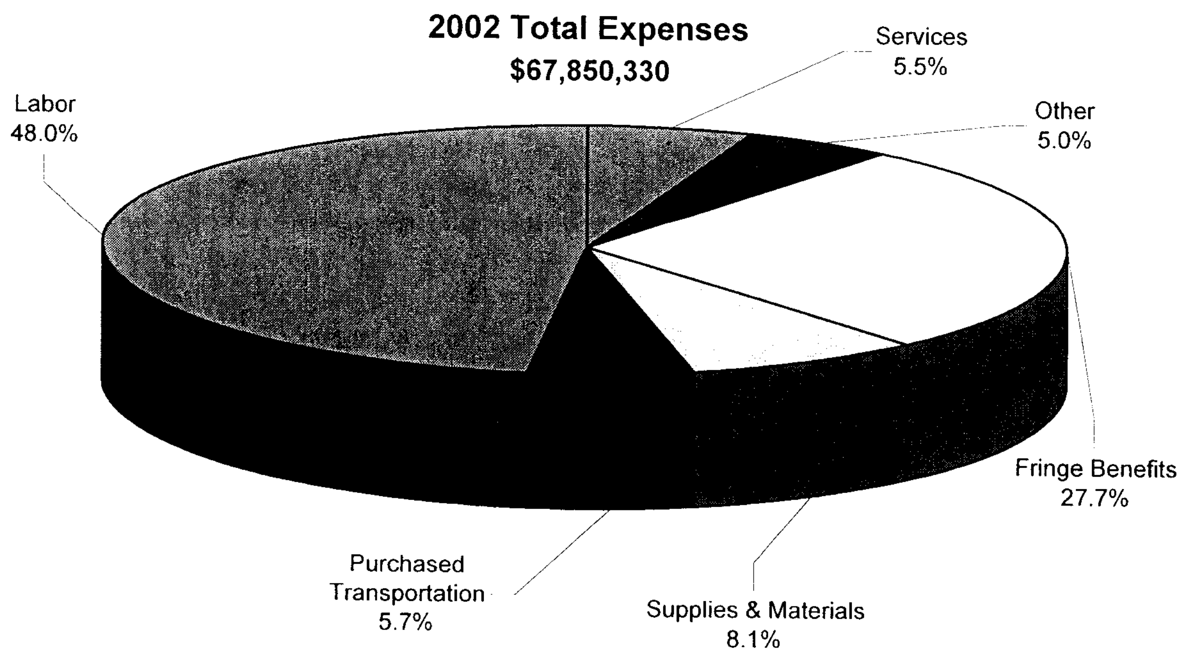
2002 Total Revenues
$73,876,513



CENTRAL OHIO TRANSIT AUTHORITY

Expense by Object Class
(Excluding Depreciation)





Financial Operating Results

Revenues

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

Passenger Fares are comprised of farebox revenues, special transit fares and charter revenues. The decrease from 2002 is attributed to cuts in bus service levels initiated in February 2003.

Sales Tax Revenues are received from a permanent ¼% sales tax levy approved by voters in November 1999 and applicable to the Authority's service area. The increase in 2003 revenues is due to the significant increase in 2003's fourth quarter revenues when compared to 2002's fourth quarter revenues.

Federal Assistance is received from the Federal Transit Administration (FTA) for general operating expenses and capital programs. With the passage of the Transportation Equity Act of the 21^{st} Century (TEA-21), regional transit authorities were given the latitude to use their Section 5307 Federal Formula Assistance on the capitalization of maintenance. As a result, virtually all of the Section 5307 funds are targeted to vehicle maintenance, permitting the full use of this allocation each year, and freeing local funds for future capital projects. The decrease for Federal Assistance in 2003 was due to a cut in funding of almost one million dollars for capitalized maintenance by the Federal government. In 2003 the FTA applied the data of 2000 Census information into its revenue allocation formula, which moved the Columbus Metropolitan Statistical Area (MSA) into a MSA grouping with over one million population. The Columbus MSA fares poorly in the allocation formula in the comparison with other million-plus MSAs due to a relative lack of passengers utilizing public transportation and a low population density.

Federal Capital Grants are received from the FTA for capital projects and capital acquisitions. Federal Capital Grants reimburse the Authority in part for the purchase of new buses and equipment. The increase for Federal Capital Grants in 2003 is attributed to increases for funding the Light-Rail project, funding the annunciator (automatic voice messaging system) project, funding Intelligent Transportation Systems (ITS) planning and standards development project, funding facility improvements, and the purchase of buses and paratransit vehicles.

State Assistance is received from the Ohio Department of Transportation (ODOT) for elderly and disabled rider reduced-fare subsidies, and for reimbursement of State fuel taxes. COTA is required to pay State taxes on diesel fuel, but is refunded \$0.23 of the \$0.24 per gallon paid. In 2002, the ODOT eliminated general operating assistance to COTA. The decrease for State Assistance in 2003 was due the cutting of elderly and disabled passenger fare assistance.

State Capital Grants are received from the ODOT for capital projects and capital acquisitions. State Capital Grants reimburse the Authority in part for the purchase of new buses and equipment. The increase for State Capital Grants in 2003 was for funding the Light-Rail project, funding the Front Street Bridge portion of the Downtown Multimodal Transportation Terminal (MMTT) project, funding the annunciator project, and the purchase of buses and paratransit vehicles.

Investment Income is earned on invested funds. During 2003, lower cash balances in the investment accounts along with a decrease in interest rates in the Fixed Income financial markets contributed to decreasing investment income.

Other Revenues consist of auxiliary transportation revenues and non-transportation revenues. Auxiliary transportation revenues represent fees collected for advertising placed in and on buses, and decreased due to economic conditions. Non-transportation revenues include all other various miscellaneous income items.

Expenses

Labor comprises nearly half of the total Authority expenses and includes hourly wages paid to union-represented employees (bus operators, mechanics and facility maintenance personnel), and salaries and wages paid to administrative staff (clerical, supervisory and management personnel). An average pay rate increase of 3% was offset by an increase in the employee attrition rate for administrative staff.

Fringe Benefits consist primarily of vacation, sick and holiday pay, required Authority contributions to the Ohio Public Employees Retirement System (OPERS), and employee medical benefits. Required employer contributions to OPERS were made at the rate of 13.55% of total gross taxable wages in 2003. In 2003, a "pickup" was contributed with the range from 4.5% to 3.0% dependent upon the collective bargaining unit for represented employees and 4.5% for administrative employees. The increase in fringe benefits in 2003 is due to rising medical insurance costs.

Materials and Supplies also include the Authority's diesel fuel expense. The primary factor for the increase is a 20% increase in the average price per gallon of diesel fuel in 2003 despite the reduction in fuel consumption of over 56,000 gallons due to reduced bus service hours.

Purchased Transportation expense is comprised of amounts paid to a private local contractor to provide the Authority's Project Mainstream service (door-to-door, service-on-demand in wheelchair lift-equipped minibuses for disabled riders). The 2003 increase was driven by a 8.7% increase in the number of revenue hours provided, and a 4% billing rate increase that became effective August 1, 2003.

Services are provided by outside contractors to the Authority for a wide variety of professional, technical, consulting and maintenance needs. The slight increase for 2003 is due to the additional use of consultants to facilitate an organizational restructuring.

Other Expenses consist primarily of utilities, taxes, interest, leases and rentals, claims and insurance and other miscellaneous expenses. Taxes were paid to the State on diesel fuel consumption at the rate of $0.22 per gallon until July 2003, and at the rate of $0.24 thereafter, which was responsible for the increase in fuel taxes paid. Real estate taxes are paid on non-exempt Authority property. Leases and rentals are paid on the downtown COTA Connection customer service center, the COTA Business Development Division office on Lake Shore Drive, the Project Mainstream paratransit offices on Phillipi Road, certain park-and-ride facilities, and miscellaneous equipment, and decreased in 2003 because of the capitalization of 40% of the 2003 lease payments for 1650 Lake Shore Drive facility into the light-rail development project. Claims and insurance expense increased due to rate increases in insurance premiums.

2003 Projects and Future Plans

Preliminary Engineering / Draft Environment Impact for the North Corridor Light Rail Line

The North Corridor Light Rail Project received a "recommended" rating on the annual update to the New Starts Submittal for the third consecutive year from the FTA. The rating means that the FTA considers the plan to be complete, competitive with other projects across the nation and worthy of being eligible for federal funding for the next phase of analysis. In June 2003, COTA moved into the preliminary engineering stage for rail development in the North Corridor. These engineering studies are to determine the costs and environmental impact of the track alignment and station location proposals gathered from community input meetings, discussions with CSX Transportation and Norfolk & Southern Railroad, and studies commissioned by the City of Columbus and the Mid-Ohio Regional Planning Commission (MORPC). The North Corridor Light Rail Project plans as currently proposed include construction of a thirteen mile long light rail line, construction of fourteen rail stations, construction of a rail maintenance and storage facility, and the procurement of eighteen light rail vehicles. The plan also includes a 70 percent increase in bus service, and a 60 percent increase in curb-to-curb service for people with disabilities. Together these improvements will result in a 90 percent overall increase in the region's transit service.

An integral element of COTA's Light Rail and Commuter Rail Plans is the development of the Downtown Multimodal Transportation Terminal (MMTT). This 115,000 square foot terminal, which would be located between Front and High Streets immediately north of Nationwide Boulevard, would accommodate: intra-city commuter rail and light rail; intercity passenger rail (i.e., Cleveland-Columbus-Cincinnati); ticketing, baggage and waiting areas; a twelve bay express bus terminal; overhead pedestrian walkway connections to the Franklin County Convention Center, the Convention Center Parking Garage and a proposed full service hotel; transit supportive retail uses; and safe auto, bicycle and pedestrian access. This $26 million facility is currently in final design and is expected to open in 2005.

The implementation of the North Corridor Light Rail Line project is dependent upon COTA receiving the necessary funding for the project. COTA proposes to fund its share of the project through the passage of a levy to increase by ¼% the "piggyback" sales tax in the COTA taxing district. Other funding assumptions are that The Federal Transit Administration will contribute 50% of the funding, and The Ohio Department of Transportation will contribute 25% of the funding. COTA, in addition to funding the North Corridor Light Rail Line project, will also be able to fund its share of the following projects with the passage of the sales tax levy:

- Expansion of the fixed route service hours from approximately 725,000 hours per year to 1,245,000 hours per year,
- Increase in the fixed route bus fleet from 285 vehicles to 380 vehicles,
- Expansion in paratransit service hours from approximately 126,000 hours per year to 206,000 hours per year,
- Increase in the paratransit vehicle fleet from 50 vehicles to 77 vehicles,
- Construction of 16 additional Transit Centers, and
- Construction of a small bus maintenance facility at the McKinley Avenue location.

Transit Center Development

Over a span of several years, COTA proposes to build 19 transit centers, including 5 in central city locations and 14 in suburban locations to serve the low-density development located around Interstate 270. As of December 2003, only the Linden Transit Center and Easton Transit Center were in operation. The Linden Transit Center is the prototype for the central city transit center, with transit supportive uses such as day care center, banking, and neighborhood medical services also located in the facility. The Easton Transit Center is an example of the suburban transit center, with a smaller facility and a park and ride lot. A day care center will be built at the Easton Transit Center in 2004.

During 2003, preliminary engineering and environmental impact studies were conducted for the Near East Transit Center, a proposed 12,000 square foot facility to be located at the corners of East Main Street and Champion Avenue in the heart of the Columbus Empowerment Zone (an economically disadvantaged area with high unemployment). As the second of COTA's central city transit centers, the Near East Transit Center is projected to also include transit supportive uses such as a day care center, banking, and neighborhood medical services. The Near East Transit Center will be served by a neighborhood circulator bus that brings area residents to the transit center as a collection point where they can then transfer to COTA's regional services (local, crosstown, reverse commute express) and conveniently access jobs throughout Franklin County. Construction on the Near East Transit Center is scheduled to start in June of 2004 and to be completed by the end of 2004.

Information Technology Projects

During 2003 COTA worked very closely with the Mid Ohio Regional Planning Commission (MORPC) to update to the central Ohio Regional Intelligent Transportation Systems (ITS) Integration Strategy, which serves as the mechanism by which COTA can demonstrate a well thought out and fiscally conservative plan for ITS deployment. Building upon this framework to enhance operations, allow for integration with other stakeholders, and achieve conformity with the National ITS Architecture, COTA developed a detailed strategic plan in 2003 in order to document current ITS projects and successes, to identify future ITS projects, to demonstrate COTA's commitment to regional ITS integration, and to clearly establish that COTA's plan is in compliance with both the regional and ITS standards components of the National ITS Architecture.

Concurrent with this strategic planning initiative, the Authority continued to enhance and/or deploy funded ITS initiatives. The spread spectrum wireless local area network (WLAN) installed at each garage facility was upgraded to expedite the flow of systems information within the Orbital Computer Aided Dispatch (CAD)/Advanced Vehicle Location (AVL) system as well as provide a communications backbone for future core ITS deployments. This upgrade will continue to reduce the manual operations/maintenance requirements and their related costs for COTA's ITS systems.

Enhancing the experience of riding a COTA vehicle is a major component of the ITS program. In 2003, COTA began implementing the Automated Voice Annunciator (AVA) system to make bus travel easier for all passengers, including those with hearing and vision disabilities. Its operation is straightforward; as a bus approaches a stop the AVA system automatically announces the next stop, major road intersections, transfer points, and/or vehicle destination as well as displaying it on variable message signs inside the bus. The announcements are made using the bus' existing public address system that has speakers inside and outside the bus. The signs are ceiling-mounted at the front of each bus inside the vehicle. The project has progressed in 2003 to an operational test status involving five buses operating on a single bus route that has had all of its bus stops' Global Positioning Systems (GPS) coordinates inputted into the database. The automatic vehicle annunciator and the wireless local-area network ITS projects are expected to be fully operational by the end of 2004.

During 2003, COTA also redesigned the core web site, www.cota.com, within a content management based system framework. Using eXtensible Markup Language (XML) to allow seamless integration with both COTA's core business systems and evolving ITS standards, the web site now adheres to accessibility standards from the World Wide Web Consortium (W3C) Web Accessibility initiatives and the accessibility standards set out by the Architectural and Transportation Barriers Compliance Board.

During 2003, COTA also introduced an itinerary planner that is directly integrated with the web site. Through a direct link on the web site, COTA customers can now access interactive screens to input origin/destination or arrival/departure information, generate quick itineraries for local or regional trips, utilize look-ups for popular destinations including shopping centers, hospitals and hotels, and receive complete, printable itineraries, including maps, transfers, stop locations, fares and written instructions directly via the Internet. Moreover, the web site now serves as an Advanced Traveler Information System (ATIS) precursor, within an application infrastructure that is technically capable of publishing schedule, itinerary, and real time information to multiple Internet appliances (e.g. cell phones, PDA's, pagers, kiosks).

Finally, in early 2003 COTA was selected as one of two transit agencies to participate in a American Public Transportation Association (APTA)/FTA sponsored Transit Communications Interface Profiles (TCIP) pilot project that will develop standards for Intelligent Transportation Systems. COTA's progressive and interactive participation within the TCIP standards program and pilot project will positively influence the image of the Authority as well as enhance COTA's ability to illustrate past success within future appropriations requests in ITS.

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets
December 31, 2003 and 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,375,245	$ 17,857,921
Receivables:		
Sales tax	11,670,644	10,471,892
Federal operating assistance	6,523	514,527
Other	715,818	833,919
Inventory of materials and supplies	2,158,249	2,511,644
Other	319,886	303,581
Total	29,246,365	32,493,484
Board designated:		
Cash and cash equivalents - capital grants	2,728,256	4,098,070
Cash and cash equivalents - self insurance	365,633	447,583
Accrued interest receivable - self insurance	96,549	127,722
Total	3,190,438	4,673,375
Restricted for capital grants:		
Federal capital grants receivable	150,787	133,182
State capital grants receivable	286,359	16,105
Total	437,146	149,287
Total current assets	32,873,949	37,316,146
NON-CURRENT ASSETS:		
Board designated:		
Cash and cash equivalents - self insurance	2,673,965	751,350
Investments - self-insurance	9,050,191	11,233,315
Total	11,724,156	11,984,665
Property and equipment		
Cost	167,683,832	166,228,941
Less accumulated depreciation	(85,377,675)	(84,155,678)
Total	82,306,157	82,073,263
Total non-current assets	94,030,313	94,057,928
TOTAL ASSETS	$ 126,904,262	$ 131,374,074

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets (continued)
December 31, 2003 and 2002

LIABILITIES AND NET ASSETS		2003		2002
CURRENT LIABILITIES:				
Accrued payroll and fringe benefits	$	5,637,943	$	5,723,764
Accounts payable		2,550,430		2,626,620
Accrued payroll taxes		590,201		754,797
Estimated workers compensation claims		154,107		261,516
Estimated claims payable		211,526		186,067
Other current liabilities		465,542		248,049
Total current liabilitites		9,609,749		9,800,813
NON-CURRENT LIABILITIES:				
Accrued fringe benefits		870,080		970,506
Estimated workers compensation claims		80,133		94,386
Estimated claims payable		130,387		149,488
Total non-current liabilitites		1,080,600		1,214,380
TOTAL LIABILITIES		10,690,349		11,015,193
NET ASSETS:				
Invested in capital assets		82,306,157		82,073,263
Restricted for capital assets		437,146		149,287
Unrestricted		33,470,610		38,136,331
TOTAL NET ASSETS		116,213,913		120,358,881
TOTAL LIABILITIES AND NET ASSETS	$	126,904,262	$	131,374,074

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Net Assets
Years ended December 31, 2003 and 2002

	2003	2002
OPERATING REVENUES:		
Passenger fares for transit service	$ 12,013,121	$ 12,772,854
Special transit fares	373,988	290,908
Charter service revenue	23,335	18,028
Auxiliary transportation revenue	567,328	729,616
Total	12,977,772	13,811,406
OPERATING EXPENSES OTHER THAN DEPRECIATION:		
Labor	32,751,632	32,589,595
Fringe benefits	19,934,358	18,768,795
Materials and supplies	6,655,227	5,483,476
Purchased transportation	4,257,470	3,876,524
Services	3,808,065	3,765,390
Utilities	1,336,767	1,172,969
Taxes	653,936	620,586
Leases and rentals	523,201	558,418
Claims and insurance, net of settlements	389,654	337,153
Advertising	323,209	229,112
Miscellaneous	457,596	448,312
Total	71,091,115	67,850,330
DEPRECIATION:	10,938,634	13,644,144
Total operating expenses	82,029,749	81,494,474
OPERATING LOSS	(69,051,977)	(67,683,068)
NON-OPERATING REVENUES:		
Sales tax revenues	43,773,881	41,244,787
Federal operating grants and reimbursements	10,874,105	12,400,518
State operating grants, reimbursements and special fare assistance	721,556	859,901
Investment income	423,413	899,678
Nontransportation and other revenue	440,485	1,184,061
Total	56,233,440	56,588,945
Loss before capital grants	(12,818,537)	(11,094,123)
CAPITAL GRANT REVENUES:		
Federal	6,398,882	3,125,130
State	2,274,687	351,032
Total	8,673,569	3,476,162
CHANGES IN NET ASSETS	(4,144,968)	(7,617,961)
NET ASSETS, BEGINNING OF YEAR	120,358,881	127,976,842
NET ASSETS, END OF YEAR	$ 116,213,913	$ 120,358,881

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 2003 and 2002

		2003		2002
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$	12,410,444	$	13,081,790
Cash payments to suppliers for goods and services		(18,217,250)		(16,030,842)
Cash payments to employees for services		(33,068,988)		(32,186,193)
Cash payments for employees benefits		(19,803,241)		(18,695,311)
Cash payments for casualty and liability		(640,301)		(578,726)
Other receipts		1,125,914		2,476,178
Net cash used in operating activities		(58,193,422)		(51,933,104)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Sales taxes received		42,575,129		42,085,070
Federal operating assistance received		11,382,109		12,461,305
State operating and other assistance received		721,556		1,862,451
Net cash provided by non-capital financing activities		54,678,794		56,408,826
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Federal capital grants received		6,381,278		4,016,214
State capital grants received		2,004,433		1,465,383
Acquisition and construction of fixed assets		(10,520,618)		(5,945,218)
Net cash used in capital and related financing activities		(2,134,907)		(463,621)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received from investments		454,586		771,956
Purchases of investments		---		(11,233,315)
Sales of investments		2,183,124		---
Net cash used in/provided by investing activities		2,637,710		(10,461,359)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3,011,825)		(6,449,258)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		23,154,924		29,604,182
CASH AND CASH EQUIVALENTS, END OF YEAR	$	20,143,099	$	23,154,924

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 2003 and 2002

		2003		2002
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:				
Operating Loss	$	(69,051,977)	$	(67,683,068)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation		10,938,634		13,644,144
Inventory obsolescence reserve		500,000		---
Other receipts		517,925		1,184,069
Change in assets and liabilities:				
Decrease in other receivables		118,101		562,501
Increase in materials and supplies inventory		(146,605)		(339,506)
Decrease (increase) in other assets		(16,305)		480,394
Decrease (increase) in accounts payable, accrued compensation, self-insurance liabilities and other		(1,053,195)		218,362
Net cash used in operating activities	$	(58,193,422)	$	(51,933,104)

See notes to financial statements.

(1) Organization and Reporting Entity

(a) Organization

The Central Ohio Transit Authority (COTA or the Authority) is an independent, special-purpose political subdivision of the State of Ohio. The Authority was created on February 17, 1971, pursuant to Sections 306.30 through 306.53 of the Ohio Revised Code for the purpose of providing public transportation in Central Ohio, primarily Franklin County and surrounding areas. The Authority commenced operations on January 1, 1974. As a political subdivision, the Authority is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit.

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, in 0.25% increments up to a maximum rate of 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 of Ohio and Franklin County. On November 5, 1999, the voters of Franklin County approved a permanent 0.25% sales and use tax.

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 were not levied during fiscal years 2003 and 2002.

The Authority is governed by a 13-member Board of Trustees. Members are appointed by the mayors of COTA's chartering municipal corporations and by the Franklin County Board of Commissioners and serve overlapping 3-year terms.

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

(b) Reporting Entity

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. This statement requires that financial statements of the reporting entity include all of the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. COTA does not have financial accountability over any entities.

The City of Columbus (the City) is a related organization to COTA as the Mayor of the City, with the approval of City Council, appoints a voting majority of COTA's Board. However, the financial statements of COTA are not included within the City's "Reporting Entity" as the City cannot impose its will and there is no financial benefit or financial burden relationship between the City and COTA.

(continued)

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards 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.

(b) *Cash and Cash Equivalents*

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

(c) *Grants and Assistance*

The federal government, through the Federal Transit Administration (FTA), and the Ohio Department of Transportation (ODOT) provide financial assistance and make grants directly to the Authority for operations and the acquisition of property and equipment. Grants for operating assistance and preventative maintenance are recorded as revenues during the entitlement period to which the grants apply.

(d) *Investments*

Pursuant to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are carried at fair value based on quoted market prices. Any unrealized gains or losses are recognized as adjustments to investment income. The Authority's policy is to hold investment securities to their scheduled maturity date.

(e) *Inventory of Materials and Supplies*

Inventory items are stated at average cost. Inventory generally consists of maintenance parts and supplies for transportation equipment.

(f) *Board Designated Assets*

These assets are designated for the payment of public liability claims under the Authority's self-insurance program and for future capital expenditures.

(continued)

(g) Designated for Capital Grant Expenditures

These assets are restricted under the Authority's capital grants for certain capital projects. The Authority also includes in designated capital grant assets amounts relating to its local share requirements for active capital grants.

(h) Net Assets – Equity displayed in three components as follows:

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

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

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

(i) Classifications of Revenues

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

Recognition of Revenue and Receivables

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

(continued)

(j) *Property and Depreciation*

Property and equipment are stated at historical cost and include expenditures that substantially increase the useful lives of existing assets. Routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Description	Years
Land and leasehold improvements	5–20
Buildings and improvements	20–40
Revenue vehicles	4–12
Transit shelters	5–8
Other equipment	3–10

Assets acquired with capital grants are included in property and equipment and depreciation on those assets is included in the Statement of Revenues, Expenses and Changes in Net Assets.

(k) *Estimated Claims Payable*

The Authority has a self-insurance program for public liability, personal injury, property damage and worker's compensation (see note 7). Claims are accrued in the year the expenses are incurred, based upon estimates of the claim liabilities made by management and the legal counsel of the Authority. Also provided for are estimates of claims incurred during the year but not yet reported. These estimates are based on past experience and current outstanding claims.

(l) *Compensated Absences*

The Authority accrues vacation and sick pay benefits as earned by its employees. Non-current accrued fringe benefits are estimated based on the average vacation and sick expense from the previous five years.

	Current	Non-current
Compensated Absences Liability December 31, 2002	$3,643,622	$970,506
Vacation & Sick Liability Earned	3,796,835	-
Vacation & Sick Liability Paid	(3,565,292)	(100,426)
Compensated Absences Liability December 31, 2003	$3,875,165	$870,080

(continued)

(m) Passenger Fares

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

(n) Budgetary Accounting and Control

The Authority's annual budget is prepared on the accrual basis of accounting as permitted by law. The Authority maintains budgetary control by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees.

(o) Use of Estimates

The accounting and reporting policies of COTA conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(p) Non-exchange Transactions

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2003 will be recognized as revenue in 2003. 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.

(q) New Accounting Pronouncements

Effective January 1, 2003, the Authority implemented the provisions of GASB Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus,* and No. 38, *Certain Financial Statement Note Disclosures.* These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis.

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. The Authority has not completed an analysis of the impact of this statement on its reported financial statements.

(continued)

In November 2003, 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 the periods beginning after December 15, 2004. The Authority has not completed an analysis of the impact of this statement on its reported financial statements.

(r) Reclassifications

Reclassifications have been made to the 2002 amounts to conform with the presentation of the 2003 amounts.

(3) Cash and Investments

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio), and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. 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 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited.

During 2003 and 2002, the Authority complied with the provisions of these statutes.

(continued)

(a) Deposits With Financial Institutions

At December 31, 2003, the carrying amount of the Authority's deposits with financial institutions was $3,220,435 and the bank balance was $4,192,532. The difference results mainly from outstanding checks. In addition, the Authority had $6,923 of cash on hand. $100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the GASB) and $4,092,532 was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name (Category 3 as defined by the GASB).

(b) Investments and Other Deposits

The Authority's investments are detailed below and categorized in accordance with the criteria established by the GASB to give an indication of the level of risk assumed as of December 31, 2003. 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 counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

As of December 31, 2003 the Authority held equity of $16,915,741 in the STAR Ohio investment pool. This investment has not been categorized based on a custodial risk because it is not a security. The relationship between the Authority and the investment asset is a direct contractual relationship and the investments evidence ownership or creditorship.

Investments held as of December 31, 2003:

	Category			Reported/
Description	1	2	3	Fair Value
U.S. Treasury notes and federal agency obligations	$ -	$ -	$9,050,191	$ 9,050,191
Equity in the state treasurer's investment pool (Star Ohio)				16,915,741
Total investments				$25,965,932

(continued)

(4) Capital Assets

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

	Balance January 1, 2003	Additions	CIP Transfers/ Disposals	Balance December 31, 2003
Capital Assets Not Being Depreciated:				
Land	$5,150,657	$ ---	$ (10,194)	$ 5,140,463
Construction in progress	1,923,986	7,776,296	(3,304)	9,696,978
Total Capital Assets Not Being Depreciated	7,074,643	7,776,296	(13,498)	14,837,441
Capital Assets Being Depreciated:				
Land and leasehold improvements	8,945,518	---	---	8,945,518
Building and improvements	38,629,034	29,664	---	38,658,698
Revenue vehicles	77,057,378	3,243,140	(5,536,834)	74,763,684
Transit shelters	2,948,428	---	(827,523)	2,120,905
Other equipment	31,573,940	132,622	(3,348,976)	28,357,586
Total Capital Assets Being Depreciated	159,154,298	3,405,426	(9,713,333)	152,846,391
Less Accumulated Depreciation:				
Land and leasehold improvements	5,572,897	260,250	---	5,833,147
Building and improvements	14,857,744	822,010	---	15,679,754
Revenue vehicles	39,707,288	6,399,213	(5,536,834)	40,569,667
Transit shelters	2,734,568	77,946	(827,523)	1,984,991
Other equipment	21,283,181	3,379,215	(3,352,280)	21,310,116
Total Accumulated Depreciation	84,155,678	10,938,634	(9,716,637)	85,377,675
Total Capital Assets Being Depreciated, Net	74,998,620	(7,533,208)	3,304	67,468,716
Total Capital Assets, Net	$ 82,073,263	$ 243,088	$ (10,194)	$ 82,306,157

(5) Leases

COTA leases certain property and office equipment under operating leases. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2003:

		Commitments under Operating Leases
2004	$	533,618
2005		450,025
2006		296,637
2007		170,333
2008		0
Total minimum lease payments	$	1,450,613

Rental expense for all operating leases was approximately $600,000 in 2003 and $534,000 in 2002. No lease commitments exist after 2007.

(continued)

(6) Grants, Reimbursements and Special Fare Assistance

Grants, reimbursements and special fare assistance included in the Statement of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2003 and 2002, consist of the following:

	2003	2002
Federal:		
FTA Operating Assistance	$ 10,874,105	$ 12,400,518
FTA Capital Assistance	6,398,882	3,125,130
Total	$ 17,272,987	$ 15,525,648
State:		
ODOT Operating Assistance	$ 0	$ 1,710
ODOT Elderly and Disabled Fare Assistance	153,597	305,674
ODOT Fuel Tax Reimbursement	567,959	552,517
ODOT Capital Assistance	2,274,687	351,032
Total	$ 2,996,243	$ 1,210,933

(7) Risk Management

COTA is exposed to various risks of loss related to torts, theft or destruction of assets, injuries to employees and natural disasters.

COTA is self-insured for all public liability, personal injury and property damage claims. The estimated liability for such claims of $341,913 at December 31, 2003, and $335,555 at December 31, 2002, are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 2003, and 2002, $12,186,338 and $12,559,970, respectively, were restricted by the Board of Trustees to fund the self-insurance program. Such funds are included in board-restricted assets in the accompanying balance sheets.

Prior to June 30, 1998, COTA was insured through the State of Ohio Bureau of Workers' Compensation (BWC) for injuries to its employees. On July 1, 1998, the Authority entered into an agreement with the BWC to become self-insured for claims pertaining to work-related injuries to Authority employees occurring on or after that date. The BWC agreed to continue to administer and pay all compensation claims arising on or before June 30, 1998. The estimated liability for all such claims occurring since July 1, 1998, is $234,240 at December 31, 2003, and is included as a liability in the accompanying balance sheet.

The general claims liability was calculated by establishing reserves on a case-by-case basis after analysis by in-house counsel and outside attorneys. The workers' compensation liability was determined by analyzing claim lag information provided by COTA third party administrators. A summary of changes in self-insurance claims liability for the years ended December 31, 2003 and 2002 follows:

(continued)

		General Liability		Workers' Compensation
Claims liability at December 31, 2001	$	440,086	$	393,401
Incurred claims, net of favorable settlements		131,525		305,171
Claims paid		(236,056)		(342,670)
Claims liability at December 31, 2002		335,555		355,902
Incurred claims, net of favorable settlements		221,133		303,864
Claims paid		(214,775)		(425,526)
Claims liability at December 31, 2003	$	341,913	$	234,240

(8) Defined Benefit Pension Plan

(a) Plan Description

COTA contributes to the Ohio Public Employees Retirement System (OPERS), a cost sharing, and multiple-employer public employee retirement system. 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 (ORC) assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling 1-614-222-6705 or 1-800-222-PERS (7377).

(b) Funding Policy

Plan members are required to contribute 8.5% of their annual covered salary and COTA is required to contribute an actuarially determined rate. The 2003 and 2002 employer contribution rate for local government employer units was 13.55% of annual covered payroll. The contribution requirements of plan members and COTA are established and may be amended by the Board. COTA's contributions to OPERS for the years ending December 31, 2003, 2002, and 2001 were approximately $5,134,000, $5,019,000, and $5,042,000, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

(c) Other Post-employment Benefits

OPERS also provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care 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 is set aside for funding of the post-retirement

(continued)

health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the 2003 rate was 13.55% of covered payroll; and 5.00% was the portion that was used to fund health care for the year. COTA's contributions actually made to fund post-employment benefits totaled $1,894,000 in 2003 and $1,852,000 in 2002.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

Summary of assumptions:

Actuarial Review – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002.

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 – 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.

Investment Return – The investment assumption rate for 2002 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 6.30%.

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

OPEBs are advanced funded on an actuarially determined basis. The number of active participating participants at December 31, 2002, was 364,881. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 was $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all person newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

(continued)

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of February 2004, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

(9) Contingent Liabilities

(a) Litigation

It is the Authority's policy to act as self-insurer for certain insurable risks consisting primarily of public liability and property damage. At December 31, 2003, COTA has been named in various public liability and property damage claims and suits, some of which seek significant damages. The ultimate outcome of the claims and suits cannot be determined; however, it is the opinion of management that any resulting liability to the Authority in excess of that provided for in the accompanying balance sheet will not have a material adverse effect on the Authority's financial position.

(b) Federal and State Grants

Under the terms of the Authority's various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2003, there were no material questioned costs that had not been resolved with appropriate federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of COTA's management, no material grant expenditures will be disallowed.

FTA grant stipulations also require the granter to retain assets acquired by FTA funds for the full estimated asset until life (as determined by the FTA). If this provision is not met, the granter must refund FTA's un-depreciated basis in assets disposed.

(continued)

Deloitte

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

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

Board of Trustees
Central Ohio Transit Authority and
Ms. Betty Montgomery, Auditor of State, State of Ohio

We have audited the financial statements of the Central Ohio Transit Authority (the "Authority") as of and for the year ended December 31, 2003, and have issued our report thereon dated April 28, 2004, which contains an explanatory paragraph related to the adoption of Governmental Accounting Standards Board Statements Nos. 34, 37, and 38. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 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. However, we noted certain matters involving the internal control over financial reporting, which we have presented to management of the Authority in a separate letter dated April 28, 2004.

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

Deloitte & Touche LLP

April 28, 2004

Deloitte

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Board of Trustees
Central Ohio Transit Authority and
Ms. Betty Montgomery, Auditor of State, State of Ohio

Compliance

We have audited the compliance of the Central Ohio Transit Authority ("the 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 programs 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 its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Authority, as of and for the year ended December 31, 2003, and have issued our report thereon dated April 28, 2004, which contains an explanatory paragraph related to the adoption of Governmental Accounting Standards Board Statements Nos. 34, 37, and 38. 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 the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Authority. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered 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 of the Authority, the Ohio Auditor of State, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 28, 2004

CENTRAL OHIO TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2003

Grantor/Title:	CFDA #	Grant #	Total Grants Recognized
Federal Transit Cluster			
U. S. Department of Transportation—			
Federal Transit Administration (FTA):			
Direct Ubanized Area Formula Program			
and Capital Grants:	20.500	OH-03-0149	$ 10,081
	20.500	OH-03-0201	67,763
	20.500	OH-03-0202	191,228
	20.500	OH-03-0212	406,373
	20.500	OH-03-0213	703,120
	20.500	OH-03-0229	488,219
	20.507	OH-90-X237	11,514
	20.507	OH-90-X263	145,697
	20.507	OH-90-X293	91,083
	20.507	OH-90-X304	(137,898)
	20.507	OH-90-X336	16,079
	20.507	OH-90-X362	34,581
	20.507	OH-90-X366	514,141
	20.507	OH-90-X375	2,515
	20.507	OH-90-X382	507,090
	20.507	OH-90-X399	30,681
	20.507	OH-90-X402	1,540,095
	20.507	OH-90-X411	1,484,533
	20.507	OH-90-X422	10,646,738
Indirect Capital Grants Passed Through Ohio Department of Transportation—	20.500	OH-03-0158	65,900
Total Federal Transit Cluster			16,819,533
Federal Transit Administration	20.205	OH-26-7004	215,548
	20.205	OH-40-X003	10,540
	20.XXX	OH-37-X012	227,367
Total Federal Transit Administration			453,455
Total Federal Financial Assistance			$ 17,272,988

See notes to schedule of expenditures of federal awards.

CENTRAL OHIO TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2003

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Authority. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. RELATIONSHIP OF FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports.

CENTRAL OHIO TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003

Part I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified			
Internal control over financial reporting: Material weakness(es) identified?	____	Yes	X	No
Reportable condition(s) identified not considered to be material weaknesses?	____	Yes	X	N/A
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs: Material weakness(es) identified?	____	Yes	X	No
Reportable condition(s) identified not considered to be material weaknesses?	____	Yes	X	N/A
Type of auditors' report issued on compliance for major programs	Unqualified			
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?	____	Yes	X	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster Number
20.500 and 20.507	Federal Transit Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$518,190			
Auditee qualified as low-risk auditee?	____	Yes	X	No

CENTRAL OHIO TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2003 (Concluded)

Part II—Financial Statements Findings

Findings relating to the financial statements, which are required to be reported in accordance with *Government Auditing Standard*

No matters are reportable.

Part III—Federal Award Findings and Questioned Costs

No matters are reportable.

CENTRAL OHIO TRANSIT AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2003

(02-1) Schedule of Expenditures of Federal Awards

Criteria: OMB Circular A-133 Compliance Supplement Section 3-L requires determination of whether the Schedule of Expenditures of Federal Awards includes all activity of the reporting period. A testing procedure performed to meet this audit objective includes testing of a reconciliation of the Schedule of Expenditures of Federal Financial Assistance to the General Ledger.

***Finding*:** the Authority has not timely reconciled the Schedule of Expenditures of Federal Awards to the General Ledger nor has an individual separate from the preparer reviewed the Schedule for accuracy on a timely basis. The result is that it has been difficult and time consuming to reconcile the amounts and audit the amounts involved. It has also resulted in audit adjustments.

Questioned Costs: None

***Current Year Status*:** the Authority has performed a timely reconciliation of the Schedules of Expenditures of Federal Awards to the general ledger for the year ended December 31, 2003.

Central Ohio
Transit Authority
Columbus, Ohio

Comprehensive Annual Financial Report

For fiscal year ended December 31, 2003

CENTRAL OHIO TRANSIT AUTHORITY
Franklin County, Ohio

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

Prepared by:
Finance Division
Marion White, CFO/Vice President of Finance

Central Ohio Transit Authority
Comprehensive Annual Financial Report
For the Fiscal Year ended December 31, 2003

INTRODUCTORY

SECTION

Central Ohio Transit Authority
Connecting Communities

1600 McKinley Avenue
Columbus, Ohio 43222
614.275.5800
www.cota.com

June 22, 2004

Board of Trustees of the
Central Ohio Transit Authority
and
Residents of Central Ohio:

The Comprehensive Annual Financial Report (CAFR) of the Central Ohio Transit Authority (the Authority or COTA) for the fiscal year ended December 31, 2003, is hereby respectfully submitted. This CAFR was prepared by the Finance Division and represents the Authority's commitment to provide accurate, concise and high quality financial information to its Board of Trustees and interested parties or residents in its service area.

The presentation of this CAFR contains financial statements and statistical data that provide full disclosure of all the material financial operations of the Authority. The financial statements, supplemental schedule, statistical information and all data contained herein are the representations of the Authority's management. The Authority's management bears the responsibility for the accuracy, completeness and fairness of the CAFR presentation.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Central Ohio Transit Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2002. This was the fourteenth consecutive year that the Central Ohio Transit Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

(continued)

This CAFR is divided into the following three sections:

Introductory Section – contains this Letter of Transmittal, a Table of Organization, a listing of the members of the Board of Trustees and Senior Management, and a reproduction of the Certificate of Achievement awarded to the Authority by the GFOA for the fiscal year ended December 31, 2002.

Financial Section – includes the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements (with related footnotes) for the fiscal years ended December 31, 2003 and 2002, and a supplemental schedule disclosing actual revenues, expenses and changes in net assets for the fiscal year ended December 31, 2003, compared to budgeted amounts.

Statistical Section - provides financial, economic and demographic information useful for indicating historical trends for comparative fiscal periods.

REPORTING ENTITY

General

The Authority's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement Number 14. The financial statements contained within this CAFR include all of the organizations, activities, functions and component units for which the Authority is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either 1) the reporting entity's ability to impose its will over the component unit or 2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. On this basis, the Authority does not have financial accountability over any other entity, and no governmental units other than the Authority itself are included in the reporting entity. Furthermore, the Authority is not included as a component unit in the reporting entity of any other governmental unit's financial statements. A complete discussion of the Authority's reporting entity is included in Footnote 1 to the financial statements.

The Central Ohio Transit Authority is an independent political subdivision of the State of Ohio with its own taxing power. The Authority is not dependent upon appropriations from Franklin County, the City of Columbus, or any other political subdivision for local funding. The Authority is empowered by the Ohio Revised Code to issue general obligation debt secured by its own taxing power.

The Authority was created by an agreement executed on February 17, 1971, with Franklin County and the cities of Bexley, Columbus, Gahanna, Grandview Heights, Grove City, Hilliard, Reynoldsburg, Upper Arlington, Westerville, Whitehall and Worthington. The Authority's territorial boundaries are conterminous with Franklin County, except for a small portion of the Authority's territory in adjacent Delaware, Fairfield and Licking Counties.

(continued)

Commencement of Operations

A purchase agreement was executed on June 29, 1973, providing terms for the transfer of the properties, rights and obligations of the Columbus Transit Company (a now-defunct subsidiary of the American Electric Power Company) to the Authority. An interim operating agreement permitted the Columbus Transit Company to continue to provide transit services until December 31, 1973. The Authority commenced operations on January 1, 1974.

Facilities Owned

1600 McKinley Avenue was constructed in 1980 and is the site of the Authority's administration headquarters. This 390,000 square foot facility also houses both heavy (major) and light (routine) bus maintenance operations, and has indoor storage capacity for 240 buses.

1333 Fields Avenue opened in September 1984 with a 283,000 square foot facility that provides indoor storage for 200 buses and several light maintenance work areas. It features advanced technology in the areas of ventilation, energy conservation and maintenance. The radio control room is also housed at this facility.

Linden Transit Center is a 20,500 square foot facility located at the corner of Cleveland, and 11th Avenues that opened for service in October 1999. The transit center houses a medical center, a day care center, and a bank, as well as other amenities. Nine bus routes presently serve the transit center as well as the Linden LINK neighborhood circulator route, which provides improved neighborhood transportation and connections to COTA's fixed route services. Express routes serving the Linden Transit Center also provide vital connections to job centers around the I-270 Outerbelt, such as the Polaris area located in Delaware County just north of I-71 and I-270, and the Easton development area near Morse Road and I-270.

Easton Transit Center is a 1,352 square foot facility located just north of Morse Road at the southeast corner of Transit Drive and Stelzer Road that opened for service in May 2002. This transit center helps COTA serve commuters in northeastern Franklin County. The project is being built in phases, and also includes an 8,953 square foot overhead canopy with 4 bus bays, a 50-space park and ride lot, a day care center, and other passenger amenities.

North Terminal is an outdoor facility located on Spring Street between High and Front Streets in downtown Columbus. This terminal has six bays for express routes, and presently nine express routes use the terminal to serve passengers in the north downtown area.

Facilities Leased

City Center Terminal is a 41,000 square foot facility completed and opened for service in November 1989. The terminal is located in the downtown City Center Parking Garage between Rich and Main Streets. Elevators and escalators provide pedestrian and disabled access to the

(continued)

terminal from all floors in the City Center Mall. Presently twenty-one express routes use this terminal.

60 East Broad Street in downtown Columbus houses the COTA Connection. The COTA Connection is the main sales outlet for passes and tickets and is the location where passengers are photographed for Senior Discount Cards, Key Cards and ADA Cards. This office provides route information through the distribution of published maps and timetables, and maintains a staff of service representatives (from 6:00 a.m. to 8:00 p.m. weekdays) as well as an interactive voice response system to assist customer queries on the Authority's telephone information line (614-228-1776).

1650 Lake Shore Drive houses the Business Development division of COTA. As COTA began its course towards the successful implementation of the Visions 2020 Plan, additional office space was required for staff working on new projects. As a result, in April 2001, COTA relocated its Business Development division to Lake Shore Drive, occupying 9,659 square foot of leased office space. Departments within the Business Development division include Planning, Scheduling, and Corporate Communications.

101 Phillipi Road opened in May 2002 and houses the Paratransit Services division of COTA in a leased 22,282 square foot building. The purpose of the facility is to operate Project Mainstream dispatch and reservation activities, and to store and maintain COTA-owned Project Mainstream vehicles.

Services

The Central Ohio Transit Authority's mission and vision statements are respectively:

> *To provide customer-focused mobility solutions for Central Ohio communities through strategic partnerships, innovative planning, and implementation options.*
>
> *The Central Ohio Transit Authority aspires to be the mobility manager for Central Ohio, a great community of the 21st Century, with convenient, affordable and user-friendly mobility for every resident and visitor.*

These statements are the focus of all operations and support functions.

The Authority provides public transportation services within Franklin County, as well as portions of Delaware, Fairfield and Licking Counties that are included within the municipal corporation limits of Columbus, Westerville and Reynoldsburg. This service includes 65 fixed bus routes comprised of 23 local routes (including 4 link routes), 12 cross-town routes, and 30 express routes. The span of service provided on these fixed routes is from 4:35 a.m. to 3:44 a.m. on weekdays, 5:02 a.m. to 3:39 a.m. on Saturdays, and 6:36 a.m. to 2:07 a.m. on Sundays and holidays. The Authority estimates that it will provide approximately 701,000 vehicle hours of fixed route bus service in 2004 resulting in approximately 9,578,000 vehicle miles of operation.

(continued)

In addition, the Authority provides demand-responsive transportation to the elderly and disabled through its Senior Citizens on the Town (SCOT) program and Project Mainstream, respectively. The Authority projects that in 2004, it will provide approximately 1,585 vehicle hours and 22,000 vehicle miles of SCOT service, and 123,000 vehicle hours and 2,285,000 vehicle miles of Project Mainstream (door-to-door, on-demand) service with wheelchair lift-equipped minibuses.

Management – Board of Trustees

The Authority is managed by a Board of Trustees (the "Board") vested by Ohio law with the powers necessary to manage the Authority. The legislation and agreements establishing the Authority provide for a thirteen-member Board serving overlapping three-year terms. Board membership is apportioned as follows: City of Columbus, seven members; Franklin County, two members; and one member each from the following groups of municipal corporations: Group A, Upper Arlington and Grandview Heights; Group B, Worthington, Gahanna and Westerville; Group C, Whitehall and Bexley; and Group D, Grove City, Reynoldsburg and Hilliard. When one Board member represents several cities, the appointments are made on a rotational basis. Members are appointed by the mayor of the appropriate municipal corporation with the consent of its city council. The Board of County Commissioners appoints the Franklin County representatives.

Administration

The President/CEO, who is appointed by the Board, directs the administration of the Authority, subject to the policies and supervision of the Board of Trustees. The President/CEO selects the senior administrative personnel. A Table of Organization depicting the key functional responsibilities is shown on Page 12 of this Introductory Section.

ECONOMIC CONDITION AND OUTLOOK

Franklin County (the Authority's primary service area) is located in the central part of Ohio, and the City of Columbus (the capital of the state) is located within its boundaries. The Columbus Metropolitan Statistical Area (MSA) consists of eight counties: Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway and Union. Based on data from the U.S. Census Bureau, this combined area's population is 1,597,271, with Franklin County's population of 1,088,944 making it the MSA's largest county in terms of population.

Franklin County is served by diverse transportation modes. Interstate Highway I-270 forms an Outerbelt surrounding Columbus, while Interstate Highways I-70 and I-71 intersect in the center of the county. Four U. S. highways and thirteen state highways are also located in the county. The major airport authority is the Columbus Regional Airport Authority comprising two large airports, an international airport and separate air-freight/cargo facility. Two small municipal airports also serve general and light aviation. Although growth has slowed during the recession

(continued)

that occurred in the first half of this decade, Franklin County had experienced rapid growth during the decade of the nineties. Further commercial and office development is continuing in northeastern Franklin County (Easton), northern Columbus (Polaris), southeastern Franklin County (Rickenbacker), and in the downtown areas of Columbus known as the Arena District and the Brewery District.

Population

Population in the Authority's primary service area since 1960 has been as follows:

Year	Columbus	Franklin County
1960	471,316	682,923
1970	540,025	833,249
1980	565,032	869,126
1990	632,910	961,437
2000	711,470	1,068,978

Source: U.S. Census Bureau

Employment

The following table shows average employment in Franklin County, and comparative unemployment statistics for Franklin County, the State of Ohio and the United States for the last five years:

Year	Average Employment in Franklin County	Average Unemployment Rate		
		Franklin County	Ohio	U. S.
1999	578,400	2.5%	4.3%	4.2%
2000	589,600	2.4	4.1	4.0
2001	604,800	2.8	4.3	4.8
2002	596,900	4.4	5.7	5.8
2003	601,000	4.9	6.1	6.0

Source: Ohio Department of Job and Family Services

Housing and Building Permits

According to U. S. Bureau of Census figures, the median value in 2000 of owner-occupied homes in Franklin County was $116,200, compared with $103,700 for urban housing in Ohio and $119,600 in the United States. Between 1990 and 2000, the number of housing units in Franklin County increased 16.2%, from 405,418 to 471,016.

(continued)

Economic Outlook

While the local economy mirrors the national economy, Franklin County has remained stable as a regional economic center. Columbus continues to be the most populous city in Ohio and the only major municipality in the state still experiencing population growth. This is attributable to Columbus' aggressive annexation policies and a pro-growth economic emphasis in city government. Franklin County's sizable institutional component, stemming from the presence of Ohio's capital and The Ohio State University, lends considerable stability to the local economy. The overall countywide assessed property valuation has continued to increase as a result of ongoing residential, office and retail development. The economic climate of Franklin County directly affects COTA due to the reliance on sales tax receipts as a major source of revenue. Growth is expected to continue into the future, with the MSA population projected to exceed 1.7 million by the year 2010.

FINANCIAL INFORMATION

Internal Control Structure

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

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

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

(continued)

Basis of Accounting

The Authority's financial records are maintained on the accrual basis of accounting. The activities are accounted for in a single enterprise (proprietary-type) fund.

Effective January 1, 2003, the Authority implemented the provisions of GASB Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis.

Budgetary Controls

The annual accrual basis operating and capital budgets are proposed by the Authority's management and adopted by the Board of Trustees in a public meeting usually held in the month preceding a new fiscal year. The annual budget is prepared using overall guidelines established after consideration of the Authority's long-range financial plan. This plan, updated annually, projects revenue sources over the next ten years and establishes service levels and growth commensurate with such revenue limits.

Management control for the budget is maintained by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees. 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.

Retirement Plans

Full-time, permanent employees (current or retired) of the Authority are covered under the Ohio Public Employees Retirement System (OPERS), a statewide public retirement (including disability retirement) system.

Employees covered by OPERS contribute at a statutory rate of 8.5% of earnable salary or compensation, and the Authority contributes 13.55% of the same base. These contribution rates are actuarially determined and statutorily mandated.

The Authority has a "pickup" (assume and pay) program with respect to all of the statutorily required contributions of the employees covered by OPERS. These "pickups" defer the employees' federal and state income taxes on those contributions at no extra cost to the Authority. OPERS is not subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act of 1974.

(continued)

OPERS was created by, and operates pursuant to, the Ohio Revised Code. The Ohio General Assembly could decide to amend the format of OPERS and could revise rates or methods of contributions to be made by the Authority into the pension fund and revise benefits or benefit levels.

Federal law requires Authority employees hired after March 31, 1986 to participate in the federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of taxable wages. Otherwise, Authority employees are not currently covered under the federal Social Security Act.

Debt Administration

Only capital projects are eligible for debt financing under the Ohio Revised Code. Management believes that existing cash and investment balances and projected cash flows of the Authority are adequate to cover future operating costs. As of December 31, 2003, the maximum annual debt service charges permitted by law for new, unvoted debt issuance was $25.5 million. However, the Authority currently intends to fund capital improvements through federal grants, state grants, and local sales tax revenues.

Cash Management and Investments

The Authority utilizes a cash management and investment policy intended to maximize financial return while minimizing risk of loss. Cash balances are invested at the best interest rates available in the money markets within the constraints imposed by the investment policy of the Authority and the Ohio Revised Code. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. These provisions also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's Investment Pool (STAR OHIO), obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding thirty days. Otherwise, investments in "derivatives" are forbidden.

As defined by the criteria developed by the Government Accounting Standards Board, most of the Authority's deposits are either uncollateralized, or are collateralized by securities held by the pledging financial institutions' trust department or agent (but not in the Authority's name). The Authority's deposits are, however, secured in compliance with the Ohio Revised Code. Because the Authority's deposits are held by large, financially sound banks, management believes that the security supporting the Authority's deposits is adequate.

Effective January 1, 1998, the Authority adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools.* Pursuant to Statement No. 31, at December 31, 2003, investments are carried at fair value, which is based on quoted market prices. Any unrealized gains or losses are recognized as adjustments to

(continued)

investment income. The Authority's policy is to hold investment securities to their scheduled maturity date.

Risk Management

The Authority is self-insured for public liability and property damage claims. Claims are normally paid with the operating revenues of the Authority. The Authority, by resolution of the Board of Trustees, designated assets in fiscal year 1987 to accumulate funds to satisfy catastrophic or extraordinary losses. The designated assets for self-insurance as of December 31, 2003, were approximately $12.2 million.

The Authority is under contract with an insurance carrier who provides fully-insured group coverage for employee general health and hospitalization benefits. Blanket insurance coverage is maintained for property and equipment. In addition, the Authority has insurance to protect against internal losses.

Prior to June 30, 1998, COTA was insured through the State of Ohio Bureau of Workers' Compensation (BWC) for injuries to its employees. On July 1, 1998, the Authority entered into an agreement with the BWC to become self-insured for claims pertaining to work-related injuries to Authority employees occurring on or after that date. The BWC agreed to continue to administer and pay all compensation claims arising on or before June 30, 1998. The estimated liability for all such claims occurring since July 1, 1998, was $234,240 at December 31, 2003, and is included as a liability in the accompanying balance sheet.

OTHER INFORMATION

Independent Audit

The Authority's independent certified public accounting firm of Deloitte & Touche LLP has rendered an unqualified audit report on the Authority's financial statements for the fiscal year ended December 31, 2003. This report is included in the financial section of this CAFR.

The Authority also participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including the Authority. The single audit performed by Deloitte & Touche LLP met the requirements set forth by the State of Ohio and the federal Single Audit Act of 1984 (including the Single Audit Act Amendments of 1996) and related Office of Management and Budget Circular A-133 (Revised).

It is the intention of the Authority's management to submit this and future CAFRs for review under the GFOA's "Certificate of Achievement for Excellence in Financial Reporting" program. Management believes the current report conforms to the program requirements, and expects that

(continued)

participation will result in continued improvement in the Authority's financial reporting in future years.

Acknowledgements

The publication of this report is a reflection of the level of excellence and professionalism the Authority has attained. It significantly improves the accountability of the Authority to its taxpayers and creditors.

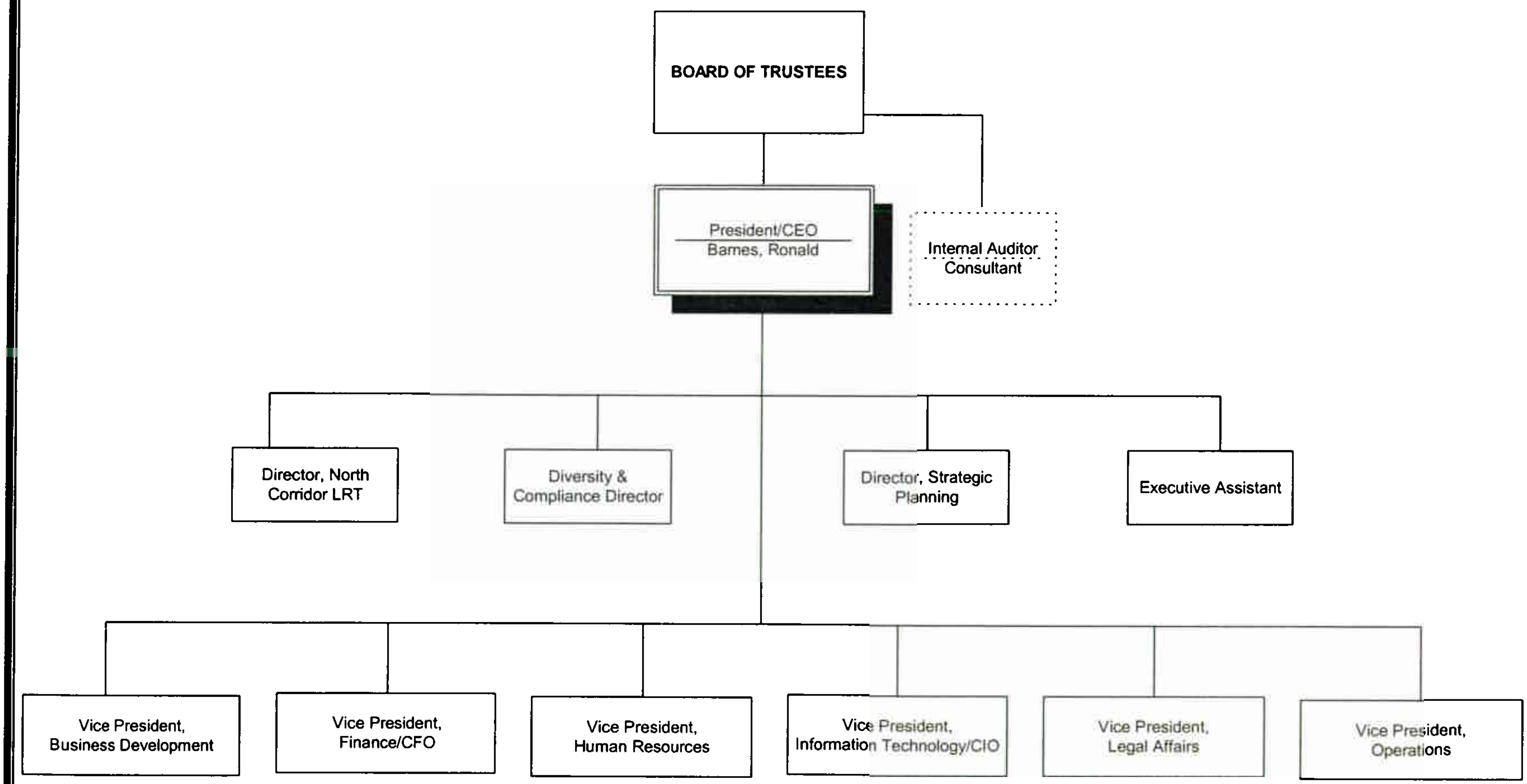
This report would not have been possible without the hard work and high standards of the entire staff of the Finance Division. The Authority wishes to thank all who contributed to this project.

Ronald L. Barnes
President / CEO

Marion White
CFO / Vice President of Finance

(continued)

Central Ohio Transit Authority
Table of Organization



CENTRAL OHIO TRANSIT AUTHORITY
Board of Trustees and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Central Ohio Transit Authority

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.

President

Executive Director

FINANCIAL SECTION

Deloitte.

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Central Ohio Transit Authority and
Ms. Betty Montgomery, Auditor of State, State of Ohio

We have audited the accompanying balance sheets of Central Ohio Transit Authority (the "Authority") as of December 31, 2003 and 2002, and the related statements of revenues, expenses and changes in equity, and of cash flows for the years then ended. 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 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 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.

As described in Note 2 to the financial statements, in fiscal year 2003, the Authority has implemented a new financial reporting model as required by the provisions of the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and Statement No. 38, *Certain Financial Statement Note Disclosures*, effective January 1, 2003.

Management's Discussion and Analysis on pages 17 – 29 is not a required part of the basic financial statements but is supplementary information required by the GASB. This supplementary information is the responsibility of the Authority's management. 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.

Our audits were performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. The supplemental schedule is also the responsibility of Authority management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The statistical data presented on pages 49 – 64 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Authority. The statistical data is the responsibility of Authority management. Such additional information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 28, 2004 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Deloitte & Touche LLP

April 28, 2004

THIS PAGE INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Central Ohio Transit Authority (the "Authority" or COTA), 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 has net assets of $116.2 million. These net assets result from the difference between total assets of $126.9 million and total liabilities of $10.7 million.
- Current assets of $32.9 million primarily consist of non-restricted cash and cash equivalents of $17.5 million; sales tax receivable of $11.7 million, and inventory of $2.2 million.
- Current liabilities of $9.6 million primarily consist of accrued payroll and fringe benefits of $5.6 million, and accounts payable of $2.6 million.
- The Authority has no long-term debt.

Basic Financial Statements and Presentation

New Accounting Pronouncements

Effective January 1, 2003, the Authority implemented the provisions of Government Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus,* and No. 38, *Certain Financial Statement Note Disclosures.* These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis.

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

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

The Statements of Cash Flows allow 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 statements are classified into four categories: 1) cash flows from operating activities, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

Notes to the Financial Statements

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

Financial Analysis of the Authority

Condensed Summary of Net Assets

The Authority's comparative analysis of the condensed summary of Net Assets is as follows:

	2003	2002
Current Assets	$ 29,246,365	$ 32,493,484
Board Designated Assets (current)	3,190,438	4,673,375
Restricted Assets (current)	437,146	149,287
Board Designated Assets (non-current)	11,724,156	11,984,665
Capital Assets (net of accumulated depreciation)	82,306,157	82,073,263
Total Assets	126,904,262	131,374,074
Current Liabilities	9,609,749	9,800,813
Non-Current Liabilities	1,080,600	1,214,380
Total Liabilities	10,690,349	11,015,193
Net Assets Invested in Capital Assets	82,306,157	82,073,263
Net Assets Restricted for Capital Assets	437,146	149,287
Net Assets Unrestricted	33,470,610	38,136,331
Total Net Assets	$ 116,213,913	$ 120,358,881

Most of the Authority's net assets reflect investment in capital assets such as buses, maintenance equipment, and operating facilities. The Authority uses these capital assets to provide public transportation services for Franklin County and portions of the cities of Columbus, Reynoldsburg, and Westerville that are located in counties adjacent to Franklin County.

Condensed Summary of Revenues, Expenses and Changes in Net Assets

Description	2003	2002
Operating Revenues (Expenses)		
Operating Revenues	$ 12,977,772	$ 13,811,406
Operating Expenses, Excluding Depreciation	(71,091,115)	(67,850,330)
Depreciation Expenses	(10,938,634)	(13,644,144)
Operating Loss	(69,051,977)	(67,683,068)
Non-Operating Revenues		
Sales Tax Revenues	43,773,881	41,244,787
Federal Operating Grants and Reimbursements	10,874,105	12,400,518
State Operating Grants, Reimbursements and Special Fare Assistance	721,556	859,901
Investment Income	423,413	899,678
Non-transportation and Other Revenues	440,485	1,184,061
Total Non-Operating Revenues	56,233,440	56,588,945
Capital Grant Revenue	8,673,569	3,476,162
Change in Net Assets during the Year	(4,144,968)	(7,617,961)
Net Assets, Beginning of Year	120,358,881	127,976,842
Net Assets, End of Year	$ 116,213,913	$ 120,358,881

Financial Results – Expenses (Excluding Depreciation)

The following table shows the Authority's expenses, excluding depreciation. The Authority's major investment is in its employees as shown by the percentage incurred for labor and fringe benefits.

EXPENSES BY OBJECT CLASS
(Excluding Depreciation)
(Thousands of Dollars)

	2003	2002	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Labor	$ 32,752	$ 32,590	$ 162	0.5 %
Fringe Benefits	19,934	18,769	1,165	6.2
Materials and Supplies	6,655	5,483	1,172	21.4
Purchased Transportation	4,257	3,877	380	9.8
Services	3,808	3,765	43	1.1
Other Expenses				
Utilities	1,337	1,173	164	14.0
Taxes	654	621	33	5.3
Leases and Rentals	523	558	(35)	(6.3)
Claims and Insurance	390	337	53	15.7
Miscellaneous	781	677	104	15.4
TOTAL	$ 71,091	$ 67,850	$ 3,241	4.8 %

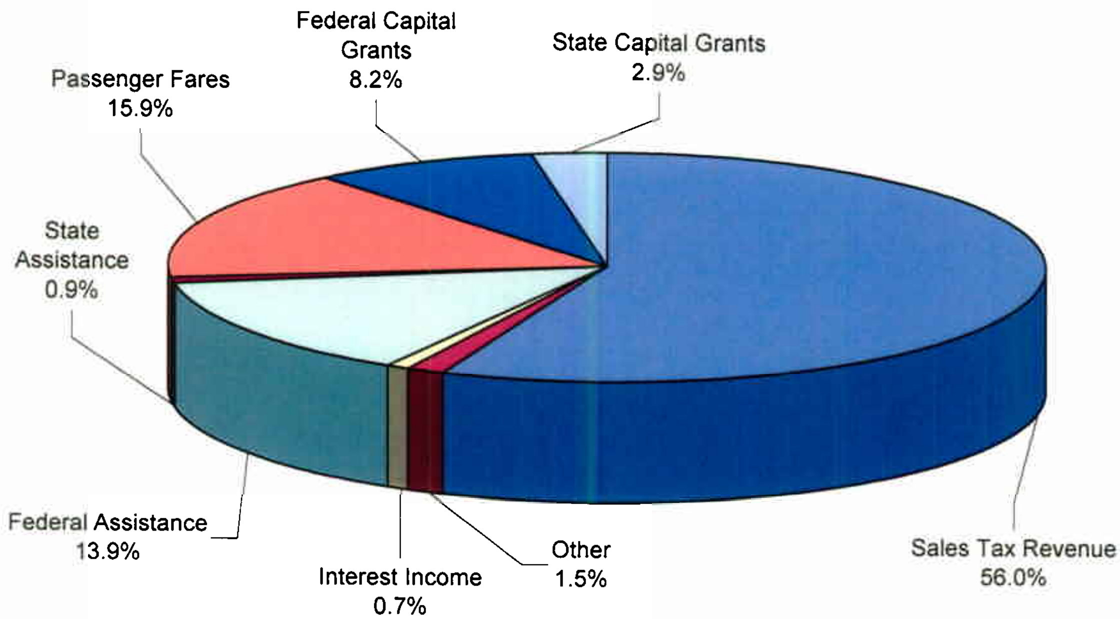
The Authority's expenses, excluding depreciation, can also be classified by functional category as defined by the Authority's 2003 National Transportation Database Report and summarized in the following table:

EXPENSES BY FUNCTION
(Excluding Depreciation)
(Thousands of Dollars)

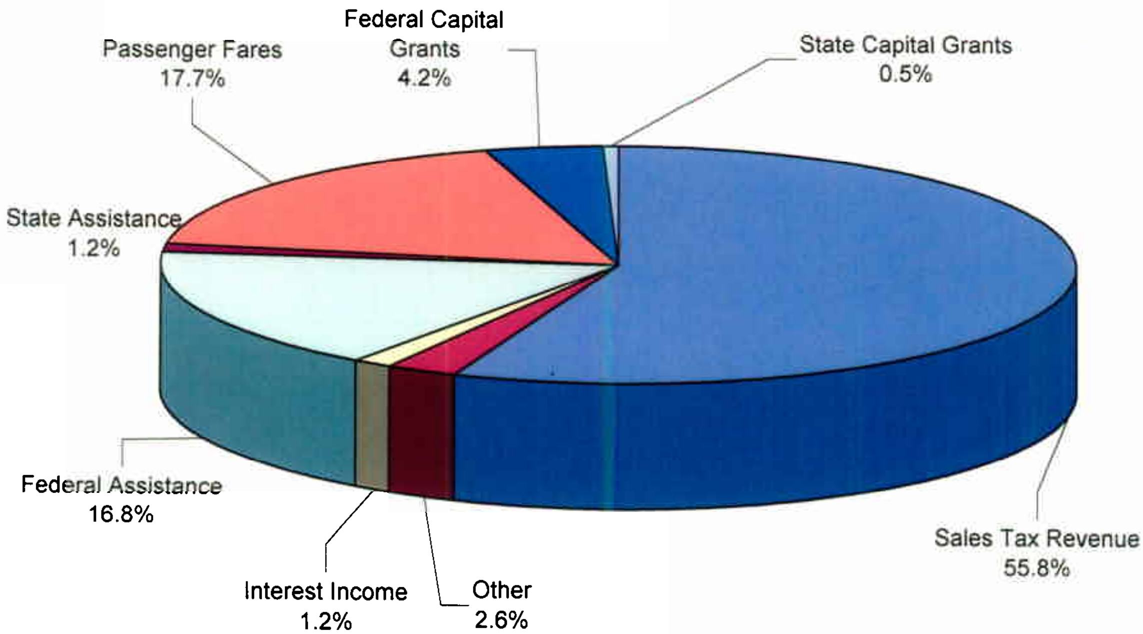
	2003	2002	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Transportation	$ 39,394	$ 37,952	$ 1,442	3.8 %
Vehicle Maintenance	12,816	11,630	1,186	10.2
Facilities Maintenance	4,962	4,838	124	2.6
General and Administrative	13,919	13,430	489	3.6
TOTAL	$ 71,091	$ 67,850	$ 3,241	4.8 %

CENTRAL OHIO TRANSIT AUTHORITY
Revenues by Source

2003 Total Revenues
$77,884,781

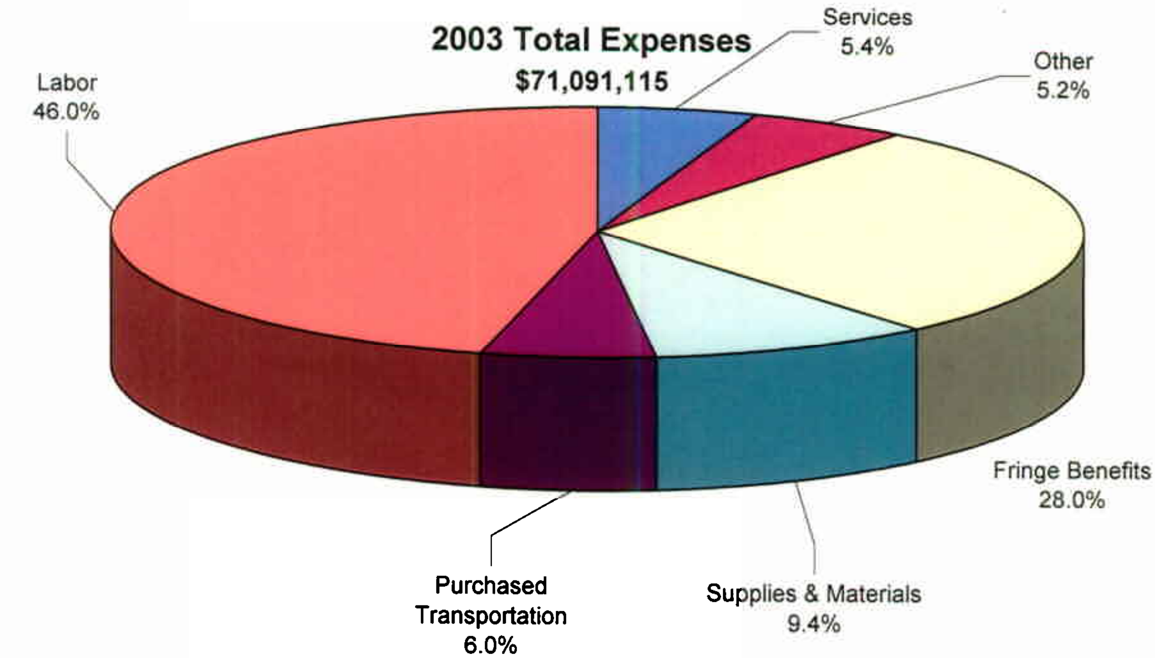


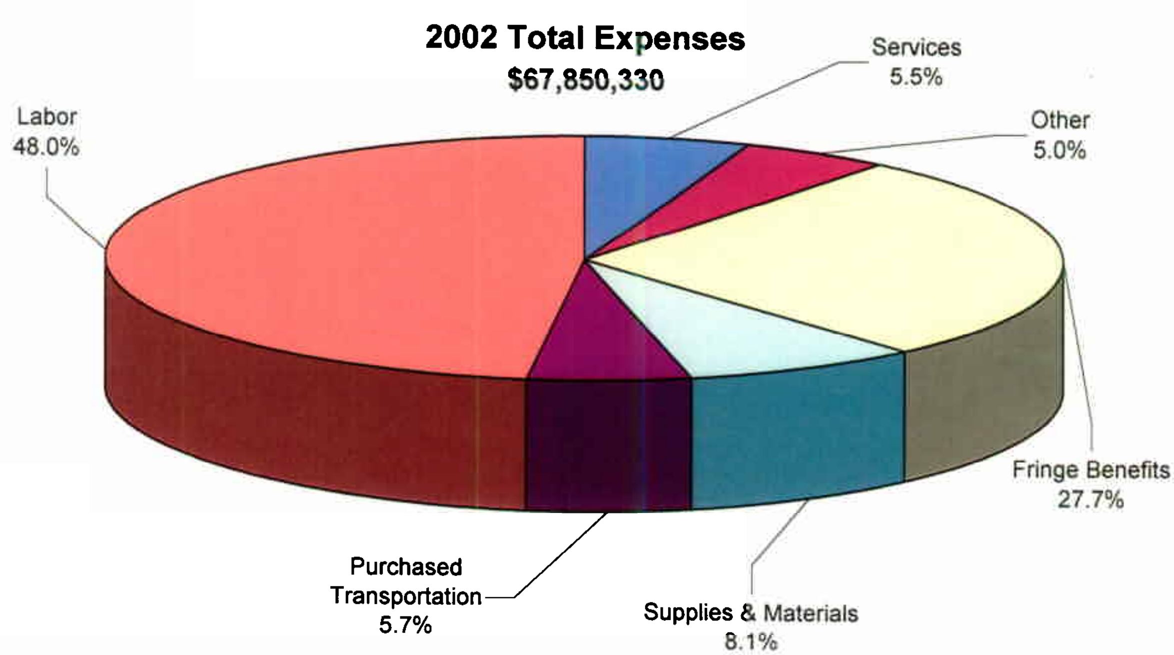
2002 Total Revenues
$73,876,513



CENTRAL OHIO TRANSIT AUTHORITY

Expense by Object Class
(Excluding Depreciation)





Financial Operating Results

Revenues

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

Passenger Fares are comprised of farebox revenues, special transit fares and charter revenues. The decrease from 2002 is attributed to cuts in bus service levels initiated in February 2003.

Sales Tax Revenues are received from a permanent ¼% sales tax levy approved by voters in November 1999 and applicable to the Authority's service area. The increase in 2003 revenues is due to the significant increase in 2003's fourth quarter revenues when compared to 2002's fourth quarter revenues.

Federal Assistance is received from the Federal Transit Administration (FTA) for general operating expenses and capital programs. With the passage of the Transportation Equity Act of the 21st Century (TEA-21), regional transit authorities were given the latitude to use their Section 5307 Federal Formula Assistance on the capitalization of maintenance. As a result, virtually all of the Section 5307 funds are targeted to vehicle maintenance, permitting the full use of this allocation each year, and freeing local funds for future capital projects. The decrease for Federal Assistance in 2003 was due to a cut in funding of almost one million dollars for capitalized maintenance by the Federal government. In 2003 the FTA applied the data of 2000 Census information into its revenue allocation formula, which moved the Columbus Metropolitan Statistical Area (MSA) into a MSA grouping with over one million population. The Columbus MSA fares poorly in the allocation formula in the comparison with other million-plus MSAs due to a relative lack of passengers utilizing public transportation and a low population density.

Federal Capital Grants are received from the FTA for capital projects and capital acquisitions. Federal Capital Grants reimburse the Authority in part for the purchase of new buses and equipment. The increase for Federal Capital Grants in 2003 is attributed to increases for funding the Light-Rail project, funding the annunciator (automatic voice messaging system) project, funding Intelligent Transportation Systems (ITS) planning and standards development project, funding facility improvements, and the purchase of buses and paratransit vehicles.

State Assistance is received from the Ohio Department of Transportation (ODOT) for elderly and disabled rider reduced-fare subsidies, and for reimbursement of State fuel taxes. COTA is required to pay State taxes on diesel fuel, but is refunded $0.23 of the $0.24 per gallon paid. In 2002, the ODOT eliminated general operating assistance to COTA. The decrease for State Assistance in 2003 was due the cutting of elderly and disabled passenger fare assistance.

State Capital Grants are received from the ODOT for capital projects and capital acquisitions. State Capital Grants reimburse the Authority in part for the purchase of new buses and equipment. The increase for State Capital Grants in 2003 was for funding the Light-Rail project, funding the Front Street Bridge portion of the Downtown Multimodal Transportation Terminal (MMTT) project, funding the annunciator project, and the purchase of buses and paratransit vehicles.

Investment Income is earned on invested funds. During 2003, lower cash balances in the investment accounts along with a decrease in interest rates in the Fixed Income financial markets contributed to decreasing investment income.

Other Revenues consist of auxiliary transportation revenues and non-transportation revenues. Auxiliary transportation revenues represent fees collected for advertising placed in and on buses, and decreased due to economic conditions. Non-transportation revenues include all other various miscellaneous income items.

Expenses

Labor comprises nearly half of the total Authority expenses and includes hourly wages paid to union-represented employees (bus operators, mechanics and facility maintenance personnel), and salaries and wages paid to administrative staff (clerical, supervisory and management personnel). An average pay rate increase of 3% was offset by an increase in the employee attrition rate for administrative staff.

Fringe Benefits consist primarily of vacation, sick and holiday pay, required Authority contributions to the Ohio Public Employees Retirement System (OPERS), and employee medical benefits. Required employer contributions to OPERS were made at the rate of 13.55% of total gross taxable wages in 2003. In 2003, a "pickup" was contributed with the range from 4.5% to 3.0% dependent upon the collective bargaining unit for represented employees and 4.5% for administrative employees. The increase in fringe benefits in 2003 is due to rising medical insurance costs.

Materials and Supplies also include the Authority's diesel fuel expense. The primary factor for the increase is a 20% increase in the average price per gallon of diesel fuel in 2003 despite the reduction in fuel consumption of over 56,000 gallons due to reduced bus service hours.

Purchased Transportation expense is comprised of amounts paid to a private local contractor to provide the Authority's Project Mainstream service (door-to-door, service-on-demand in wheelchair lift-equipped minibuses for disabled riders). The 2003 increase was driven by a 8.7% increase in the number of revenue hours provided, and a 4% billing rate increase that became effective August 1, 2003.

Services are provided by outside contractors to the Authority for a wide variety of professional, technical, consulting and maintenance needs. The slight increase for 2003 is due to the additional use of consultants to facilitate an organizational restructuring.

Other Expenses consist primarily of utilities, taxes, interest, leases and rentals, claims and insurance and other miscellaneous expenses. Taxes were paid to the State on diesel fuel consumption at the rate of $0.22 per gallon until July 2003, and at the rate of $0.24 thereafter, which was responsible for the increase in fuel taxes paid. Real estate taxes are paid on non-exempt Authority property. Leases and rentals are paid on the downtown COTA Connection customer service center, the COTA Business Development Division office on Lake Shore Drive, the Project Mainstream paratransit offices on Phillipi Road, certain park-and-ride facilities, and miscellaneous equipment, and decreased in 2003 because of the capitalization of 40% of the 2003 lease payments for 1650 Lake Shore Drive facility into the light-rail development project. Claims and insurance expense increased due to rate increases in insurance premiums.

2003 Projects and Future Plans

Preliminary Engineering / Draft Environment Impact for the North Corridor Light Rail Line

The North Corridor Light Rail Project received a "recommended" rating on the annual update to the New Starts Submittal for the third consecutive year from the FTA. The rating means that the FTA considers the plan to be complete, competitive with other projects across the nation and worthy of being eligible for federal funding for the next phase of analysis. In June 2003, COTA moved into the preliminary engineering stage for rail development in the North Corridor. These engineering studies are to determine the costs and environmental impact of the track alignment and station location proposals gathered from community input meetings, discussions with CSX Transportation and Norfolk & Southern Railroad, and studies commissioned by the City of Columbus and the Mid-Ohio Regional Planning Commission (MORPC). The North Corridor Light Rail Project plans as currently proposed include construction of a thirteen mile long light rail line, construction of fourteen rail stations, construction of a rail maintenance and storage facility, and the procurement of eighteen light rail vehicles. The plan also includes a 70 percent increase in bus service, and a 60 percent increase in curb-to-curb service for people with disabilities. Together these improvements will result in a 90 percent overall increase in the region's transit service.

An integral element of COTA's Light Rail and Commuter Rail Plans is the development of the Downtown Multimodal Transportation Terminal (MMTT). This 115,000 square foot terminal, which would be located between Front and High Streets immediately north of Nationwide Boulevard, would accommodate: intra-city commuter rail and light rail; intercity passenger rail (i.e., Cleveland-Columbus-Cincinnati); ticketing, baggage and waiting areas; a twelve bay express bus terminal; overhead pedestrian walkway connections to the Franklin County Convention Center, the Convention Center Parking Garage and a proposed full service hotel; transit supportive retail uses; and safe auto, bicycle and pedestrian access. This $26 million facility is currently in final design and is expected to open in 2005.

The implementation of the North Corridor Light Rail Line project is dependent upon COTA receiving the necessary funding for the project. COTA proposes to fund its share of the project through the passage of a levy to increase by ¼% the "piggyback" sales tax in the COTA taxing district. Other funding assumptions are that The Federal Transit Administration will contribute 50% of the funding, and The Ohio Department of Transportation will contribute 25% of the funding. COTA, in addition to funding the North Corridor Light Rail Line project, will also be able to fund its share of the following projects with the passage of the sales tax levy:

- Expansion of the fixed route service hours from approximately 725,000 hours per year to 1,245,000 hours per year,
- Increase in the fixed route bus fleet from 285 vehicles to 380 vehicles,
- Expansion in paratransit service hours from approximately 126,000 hours per year to 206,000 hours per year,
- Increase in the paratransit vehicle fleet from 50 vehicles to 77 vehicles,
- Construction of 16 additional Transit Centers, and
- Construction of a small bus maintenance facility at the McKinley Avenue location.

Transit Center Development

Over a span of several years, COTA proposes to build 19 transit centers, including 5 in central city locations and 14 in suburban locations to serve the low-density development located around Interstate 270. As of December 2003, only the Linden Transit Center and Easton Transit Center were in operation. The Linden Transit Center is the prototype for the central city transit center, with transit supportive uses such as day care center, banking, and neighborhood medical services also located in the facility. The Easton Transit Center is an example of the suburban transit center, with a smaller facility and a park and ride lot. A day care center will be built at the Easton Transit Center in 2004.

During 2003, preliminary engineering and environmental impact studies were conducted for the Near East Transit Center, a proposed 12,000 square foot facility to be located at the corners of East Main Street and Champion Avenue in the heart of the Columbus Empowerment Zone (an economically disadvantaged area with high unemployment). As the second of COTA's central city transit centers, the Near East Transit Center is projected to also include transit supportive uses such as a day care center, banking, and neighborhood medical services. The Near East Transit Center will be served by a neighborhood circulator bus that brings area residents to the transit center as a collection point where they can then transfer to COTA's regional services (local, crosstown, reverse commute express) and conveniently access jobs throughout Franklin County. Construction on the Near East Transit Center is scheduled to start in June of 2004 and to be completed by the end of 2004.

Information Technology Projects

During 2003 COTA worked very closely with the Mid Ohio Regional Planning Commission (MORPC) to update to the central Ohio Regional Intelligent Transportation Systems (ITS) Integration Strategy, which serves as the mechanism by which COTA can demonstrate a well thought out and fiscally conservative plan for ITS deployment. Building upon this framework to enhance operations, allow for integration with other stakeholders, and achieve conformity with the National ITS Architecture, COTA developed a detailed strategic plan in 2003 in order to document current ITS projects and successes, to identify future ITS projects, to demonstrate COTA's commitment to regional ITS integration, and to clearly establish that COTA's plan is in compliance with both the regional and ITS standards components of the National ITS Architecture.

Concurrent with this strategic planning initiative, the Authority continued to enhance and/or deploy funded ITS initiatives. The spread spectrum wireless local area network (WLAN) installed at each garage facility was upgraded to expedite the flow of systems information within the Orbital Computer Aided Dispatch (CAD)/Advanced Vehicle Location (AVL) system as well as provide a communications backbone for future core ITS deployments. This upgrade will continue to reduce the manual operations/maintenance requirements and their related costs for COTA's ITS systems.

Enhancing the experience of riding a COTA vehicle is a major component of the ITS program. In 2003, COTA began implementing the Automated Voice Annunciator (AVA) system to make bus travel easier for all passengers, including those with hearing and vision disabilities. Its operation is straightforward; as a bus approaches a stop the AVA system automatically announces the next stop, major road intersections, transfer points, and/or vehicle destination as well as displaying it on variable message signs inside the bus. The announcements are made using the bus' existing public address system that has speakers inside and outside the bus. The signs are ceiling-mounted at the front of each bus inside the vehicle. The project has progressed in 2003 to an operational test status involving five buses operating on a single bus route that has had all of its bus stops' Global Positioning Systems (GPS) coordinates inputted into the database. The automatic vehicle annunciator and the wireless local-area network ITS projects are expected to be fully operational by the end of 2004.

During 2003, COTA also redesigned the core web site, www.cota.com, within a content management based system framework. Using eXtensible Markup Language (XML) to allow seamless integration with both COTA's core business systems and evolving ITS standards, the web site now adheres to accessibility standards from the World Wide Web Consortium (W3C) Web Accessibility initiatives and the accessibility standards set out by the Architectural and Transportation Barriers Compliance Board.

During 2003, COTA also introduced an itinerary planner that is directly integrated with the web site. Through a direct link on the web site, COTA customers can now access interactive screens to input origin/destination or arrival/departure information, generate quick itineraries for local or regional trips, utilize look-ups for popular destinations including shopping centers, hospitals and hotels, and receive complete, printable itineraries, including maps, transfers, stop locations, fares and written instructions directly via the Internet. Moreover, the web site now serves as an Advanced Traveler Information System (ATIS) precursor, within an application infrastructure that is technically capable of publishing schedule, itinerary, and real time information to multiple Internet appliances (e.g. cell phones, PDA's, pagers, kiosks).

Finally, in early 2003 COTA was selected as one of two transit agencies to participate in a American Public Transportation Association (APTA)/FTA sponsored Transit Communications Interface Profiles (TCIP) pilot project that will develop standards for Intelligent Transportation Systems. COTA's progressive and interactive participation within the TCIP standards program and pilot project will positively influence the image of the Authority as well as enhance COTA's ability to illustrate past success within future appropriations requests in ITS.

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets
December 31, 2003 and 2002

ASSETS	2003	2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,375,245	$ 17,857,921
Receivables:		
Sales tax	11,670,644	10,471,892
Federal operating assistance	6,523	514,527
Other	715,818	833,919
Inventory of materials and supplies	2,158,249	2,511,644
Other	319,886	303,581
Total	29,246,365	32,493,484
Board designated:		
Cash and cash equivalents - capital grants	2,728,256	4,098,070
Cash and cash equivalents - self insurance	365,633	447,583
Accrued interest receivable - self insurance	96,549	127,722
Total	3,190,438	4,673,375
Restricted for capital grants:		
Federal capital grants receivable	150,787	133,182
State capital grants receivable	286,359	16,105
Total	437,146	149,287
Total current assets	32,873,949	37,316,146
NON-CURRENT ASSETS:		
Board designated:		
Cash and cash equivalents - self insurance	2,673,965	751,350
Investments - self-insurance	9,050,191	11,233,315
Total	11,724,156	11,984,665
Property and equipment		
Cost	167,683,832	166,228,941
Less accumulated depreciation	(85,377,675)	(84,155,678)
Total	82,306,157	82,073,263
Total non-current assets	94,030,313	94,057,928
TOTAL ASSETS	$ 126,904,262	$ 131,374,074

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets (continued)
December 31, 2003 and 2002

LIABILITIES AND NET ASSETS	2003	2002
CURRENT LIABILITIES:		
Accrued payroll and fringe benefits	$ 5,637,943	$ 5,723,764
Accounts payable	2,550,430	2,626,620
Accrued payroll taxes	590,201	754,797
Estimated workers compensation claims	154,107	261,516
Estimated claims payable	211,526	186,067
Other current liabilities	465,542	248,049
Total current liabilitites	9,609,749	9,800,813
NON-CURRENT LIABILITIES:		
Accrued fringe benefits	870,080	970,506
Estimated workers compensation claims	80,133	94,386
Estimated claims payable	130,387	149,488
Total non-current liabilitites	1,080,600	1,214,380
TOTAL LIABILITIES	10,690,349	11,015,193
NET ASSETS:		
Invested in capital assets	82,306,157	82,073,263
Restricted for capital assets	437,146	149,287
Unrestricted	33,470,610	38,136,331
TOTAL NET ASSETS	116,213,913	120,358,881
TOTAL LIABILITIES AND NET ASSETS	$ 126,904,262	$ 131,374,074

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Net Assets
Years ended December 31, 2003 and 2002

		2003		2002
OPERATING REVENUES:				
Passenger fares for transit service	$	12,013,121	$	12,772,854
Special transit fares		373,988		290,908
Charter service revenue		23,335		18,028
Auxiliary transportation revenue		567,328		729,616
Total		12,977,772		13,811,406
OPERATING EXPENSES OTHER THAN DEPRECIATION:				
Labor		32,751,632		32,589,595
Fringe benefits		19,934,358		18,768,795
Materials and supplies		6,655,227		5,483,476
Purchased transportation		4,257,470		3,876,524
Services		3,808,065		3,765,390
Utilities		1,336,767		1,172,969
Taxes		653,936		620,586
Leases and rentals		523,201		558,418
Claims and insurance, net of settlements		389,654		337,153
Advertising		323,209		229,112
Miscellaneous		457,596		448,312
Total		71,091,115		67,850,330
DEPRECIATION:		10,938,634		13,644,144
Total operating expenses		82,029,749		81,494,474
OPERATING LOSS		(69,051,977)		(67,683,068)
NON-OPERATING REVENUES:				
Sales tax revenues		43,773,881		41,244,787
Federal operating grants and reimbursements		10,874,105		12,400,518
State operating grants, reimbursements and special fare assistance		721,556		859,901
Investment income		423,413		899,678
Nontransportation and other revenue		440,485		1,184,061
Total		56,233,440		56,588,945
Loss before capital grants		(12,818,537)		(11,094,123)
CAPITAL GRANT REVENUES:				
Federal		6,398,882		3,125,130
State		2,274,687		351,032
Total		8,673,569		3,476,162
CHANGES IN NET ASSETS		(4,144,968)		(7,617,961)
NET ASSETS, BEGINNING OF YEAR		120,358,881		127,976,842
NET ASSETS, END OF YEAR	$	116,213,913	$	120,358,881

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 2003 and 2002

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 12,410,444	$ 13,081,790
Cash payments to suppliers for goods and services	(18,217,250)	(16,030,842)
Cash payments to employees for services	(33,068,988)	(32,186,193)
Cash payments for employees benefits	(19,803,241)	(18,695,311)
Cash payments for casualty and liability	(640,301)	(578,726)
Other receipts	1,125,914	2,476,178
Net cash used in operating activities	(58,193,422)	(51,933,104)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Sales taxes received	42,575,129	42,085,070
Federal operating assistance received	11,382,109	12,461,305
State operating and other assistance received	721,556	1,862,451
Net cash provided by non-capital financing activities	54,678,794	56,408,826
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal capital grants received	6,381,278	4,016,214
State capital grants received	2,004,433	1,465,383
Acquisition and construction of fixed assets	(10,520,618)	(5,945,218)
Net cash used in capital and related financing activities	(2,134,907)	(463,621)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	454,586	771,956
Purchases of investments	---	(11,233,315)
Sales of investments	2,183,124	---
Net cash used in/provided by investing activities	2,637,710	(10,461,359)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,011,825)	(6,449,258)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	23,154,924	29,604,182
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 20,143,099	$ 23,154,924

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 2003 and 2002

		2003		2002
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:				
Operating Loss	$	(69,051,977)	$	(67,683,068)
Adjustments to reconcile operating loss to net cash used in operating activities:				
Depreciation		10,938,634		13,644,144
Inventory obsolescence reserve		500,000		---
Other receipts		517,925		1,184,069
Change in assets and liabilities:				
Decrease in other receivables		118,101		562,501
Increase in materials and supplies inventory		(146,605)		(339,506)
Decrease (increase) in other assets		(16,305)		480,394
Decrease (increase) in accounts payable, accrued compensation, self-insurance liabilities and other		(1,053,195)		218,362
Net cash used in operating activities	$	(58,193,422)	$	(51,933,104)

See notes to financial statements.

(1) Organization and Reporting Entity

(a) Organization

The Central Ohio Transit Authority (COTA or the Authority) is an independent, special-purpose political subdivision of the State of Ohio. The Authority was created on February 17, 1971, pursuant to Sections 306.30 through 306.53 of the Ohio Revised Code for the purpose of providing public transportation in Central Ohio, primarily Franklin County and surrounding areas. The Authority commenced operations on January 1, 1974. As a political subdivision, the Authority is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit.

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, in 0.25% increments up to a maximum rate of 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 of Ohio and Franklin County. On November 5, 1999, the voters of Franklin County approved a permanent 0.25% sales and use tax.

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 were not levied during fiscal years 2003 and 2002.

The Authority is governed by a 13-member Board of Trustees. Members are appointed by the mayors of COTA's chartering municipal corporations and by the Franklin County Board of Commissioners and serve overlapping 3-year terms.

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

(b) Reporting Entity

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. This statement requires that financial statements of the reporting entity include all of the organizations, activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. COTA does not have financial accountability over any entities.

The City of Columbus (the City) is a related organization to COTA as the Mayor of the City, with the approval of City Council, appoints a voting majority of COTA's Board. However, the financial statements of COTA are not included within the City's "Reporting Entity" as the City cannot impose its will and there is no financial benefit or financial burden relationship between the City and COTA.

(continued)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. All transactions are accounted for in a single enterprise fund.

Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards 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.

(b) Cash and Cash Equivalents

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

(c) Grants and Assistance

The federal government, through the Federal Transit Administration (FTA), and the Ohio Department of Transportation (ODOT) provide financial assistance and make grants directly to the Authority for operations and the acquisition of property and equipment. Grants for operating assistance and preventative maintenance are recorded as revenues during the entitlement period to which the grants apply.

(d) Investments

Pursuant to GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are carried at fair value based on quoted market prices. Any unrealized gains or losses are recognized as adjustments to investment income. The Authority's policy is to hold investment securities to their scheduled maturity date.

(e) Inventory of Materials and Supplies

Inventory items are stated at average cost. Inventory generally consists of maintenance parts and supplies for transportation equipment.

(f) Board Designated Assets

These assets are designated for the payment of public liability claims under the Authority's self-insurance program and for future capital expenditures.

(continued)

(g) *Designated for Capital Grant Expenditures*

These assets are restricted under the Authority's capital grants for certain capital projects. The Authority also includes in designated capital grant assets amounts relating to its local share requirements for active capital grants.

(h) *Net Assets* – Equity displayed in three components as follows:

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

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

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

(i) *Classifications of Revenues*

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

Recognition of Revenue and Receivables

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

(continued)

(j) Property and Depreciation

Property and equipment are stated at historical cost and include expenditures that substantially increase the useful lives of existing assets. Routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

Description	Years
Land and leasehold improvements	5–20
Buildings and improvements	20–40
Revenue vehicles	4–12
Transit shelters	5–8
Other equipment	3–10

Assets acquired with capital grants are included in property and equipment and depreciation on those assets is included in the Statement of Revenues, Expenses and Changes in Net Assets.

(k) Estimated Claims Payable

The Authority has a self-insurance program for public liability, personal injury, property damage and worker's compensation (see note 7). Claims are accrued in the year the expenses are incurred, based upon estimates of the claim liabilities made by management and the legal counsel of the Authority. Also provided for are estimates of claims incurred during the year but not yet reported. These estimates are based on past experience and current outstanding claims.

(l) Compensated Absences

The Authority accrues vacation and sick pay benefits as earned by its employees. Non-current accrued fringe benefits are estimated based on the average vacation and sick expense from the previous five years.

	Current	Non-current
Compensated Absences Liability December 31, 2002	$3,643,622	$970,506
Vacation & Sick Liability Earned	3,796,835	-
Vacation & Sick Liability Paid	(3,565,292)	(100,426)
Compensated Absences Liability December 31, 2003	$3,875,165	$870,080

(continued)

(m) Passenger Fares

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

(n) Budgetary Accounting and Control

The Authority's annual budget is prepared on the accrual basis of accounting as permitted by law. The Authority maintains budgetary control by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees.

(o) Use of Estimates

The accounting and reporting policies of COTA conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

(p) Non-exchange Transactions

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2003 will be recognized as revenue in 2003. 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.

(q) New Accounting Pronouncements

Effective January 1, 2003, the Authority implemented the provisions of GASB Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*. These statements revise accounting and reporting standards for general purpose external financial reporting by governmental units. These statements change the Authority's presentation of net assets and require the inclusion of management's discussion and analysis.

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. The Authority has not completed an analysis of the impact of this statement on its reported financial statements.

(continued)

In November 2003, 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 the periods beginning after December 15, 2004. The Authority has not completed an analysis of the impact of this statement on its reported financial statements.

(r) Reclassifications

Reclassifications have been made to the 2002 amounts to conform with the presentation of the 2003 amounts.

(3) Cash and Investments

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio), and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2003.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. 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 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name. Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited.

During 2003 and 2002, the Authority complied with the provisions of these statutes.

(continued)

(a) *Deposits With Financial Institutions*

At December 31, 2003, the carrying amount of the Authority's deposits with financial institutions was $3,220,435 and the bank balance was $4,192,532. The difference results mainly from outstanding checks. In addition, the Authority had $6,923 of cash on hand. $100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the GASB) and $4,092,532 was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name (Category 3 as defined by the GASB).

(b) *Investments and Other Deposits*

The Authority's investments are detailed below and categorized in accordance with the criteria established by the GASB to give an indication of the level of risk assumed as of December 31, 2003. 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 counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

As of December 31, 2003 the Authority held equity of $16,915,741 in the STAR Ohio investment pool. This investment has not been categorized based on a custodial risk because it is not a security. The relationship between the Authority and the investment asset is a direct contractual relationship and the investments evidence ownership or creditorship.

Investments held as of December 31, 2003:

Description	Category 1	Category 2	Category 3	Reported/ Fair Value
U.S. Treasury notes and federal agency obligations	$ -	$ -	$9,050,191	$ 9,050,191
Equity in the state treasurer's investment pool (Star Ohio)				16,915,741
Total investments				$25,965,932

(continued)

(4) Capital Assets

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

	Balance January 1, 2003	Additions	CIP Transfers/ Disposals	Balance December 31, 2003
Capital Assets Not Being Depreciated:				
Land	$5,150,657	$ ---	$ (10,194)	$ 5,140,463
Construction in progress	1,923,986	7,776,296	(3,304)	9,696,978
Total Capital Assets Not Being Depreciated	7,074,643	7,776,296	(13,498)	14,837,441
Capital Assets Being Depreciated:				
Land and leasehold improvements	8,945,518	---	---	8,945,518
Building and improvements	38,629,034	29,664	---	38,658,698
Revenue vehicles	77,057,378	3,243,140	(5,536,834)	74,763,684
Transit shelters	2,948,428	---	(827,523)	2,120,905
Other equipment	31,573,940	132,622	(3,348,976)	28,357,586
Total Capital Assets Being Depreciated	159,154,298	3,405,426	(9,713,333)	152,846,391
Less Accumulated Depreciation:				
Land and leasehold improvements	5,572,897	260,250	---	5,833,147
Building and improvements	14,857,744	822,010	---	15,679,754
Revenue vehicles	39,707,288	6,399,213	(5,536,834)	40,569,667
Transit shelters	2,734,568	77,946	(827,523)	1,984,991
Other equipment	21,283,181	3,379,215	(3,352,280)	21,310,116
Total Accumulated Depreciation	84,155,678	10,938,634	(9,716,637)	85,377,675
Total Capital Assets Being Depreciated, Net	74,998,620	(7,533,208)	3,304	67,468,716
Total Capital Assets, Net	$ 82,073,263	$ 243,088	$ (10,194)	$ 82,306,157

(5) Leases

COTA leases certain property and office equipment under operating leases. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2003:

	Commitments under Operating Leases
2004	$ 533,618
2005	450,025
2006	296,637
2007	170,333
2008	0
Total minimum lease payments	$ 1,450,613

Rental expense for all operating leases was approximately $600,000 in 2003 and $534,000 in 2002. No lease commitments exist after 2007.

(continued)

(6) Grants, Reimbursements and Special Fare Assistance

Grants, reimbursements and special fare assistance included in the Statement of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2003 and 2002, consist of the following:

	2003	2002
Federal:		
FTA Operating Assistance	$ 10,874,105	$ 12,400,518
FTA Capital Assistance	6,398,882	3,125,130
Total	$ 17,272,987	$ 15,525,648
State:		
ODOT Operating Assistance	$ 0	$ 1,710
ODOT Elderly and Disabled Fare Assistance	153,597	305,674
ODOT Fuel Tax Reimbursement	567,959	552,517
ODOT Capital Assistance	2,274,687	351,032
Total	$ 2,996,243	$ 1,210,933

(7) Risk Management

COTA is exposed to various risks of loss related to torts, theft or destruction of assets, injuries to employees and natural disasters.

COTA is self-insured for all public liability, personal injury and property damage claims. The estimated liability for such claims of $341,913 at December 31, 2003, and $335,555 at December 31, 2002, are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 2003, and 2002, $12,186,338 and $12,559,970, respectively, were restricted by the Board of Trustees to fund the self-insurance program. Such funds are included in board-restricted assets in the accompanying balance sheets.

Prior to June 30, 1998, COTA was insured through the State of Ohio Bureau of Workers' Compensation (BWC) for injuries to its employees. On July 1, 1998, the Authority entered into an agreement with the BWC to become self-insured for claims pertaining to work-related injuries to Authority employees occurring on or after that date. The BWC agreed to continue to administer and pay all compensation claims arising on or before June 30, 1998. The estimated liability for all such claims occurring since July 1, 1998, is $234,240 at December 31, 2003, and is included as a liability in the accompanying balance sheet.

The general claims liability was calculated by establishing reserves on a case-by-case basis after analysis by in-house counsel and outside attorneys. The workers' compensation liability was determined by analyzing claim lag information provided by COTA third party administrators. A summary of changes in self-insurance claims liability for the years ended December 31, 2003 and 2002 follows:

(continued)

	General Liability	Workers' Compensation
Claims liability at December 31, 2001	$ 440,086	$ 393,401
Incurred claims, net of favorable settlements	131,525	305,171
Claims paid	(236,056)	(342,670)
Claims liability at December 31, 2002	335,555	355,902
Incurred claims, net of favorable settlements	221,133	303,864
Claims paid	(214,775)	(425,526)
Claims liability at December 31, 2003	$ 341,913	$ 234,240

(8) Defined Benefit Pension Plan

(a) Plan Description

COTA contributes to the Ohio Public Employees Retirement System (OPERS), a cost sharing, and multiple-employer public employee retirement system. 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 (ORC) assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling 1-614-222-6705 or 1-800-222-PERS (7377).

(b) Funding Policy

Plan members are required to contribute 8.5% of their annual covered salary and COTA is required to contribute an actuarially determined rate. The 2003 and 2002 employer contribution rate for local government employer units was 13.55% of annual covered payroll. The contribution requirements of plan members and COTA are established and may be amended by the Board. COTA's contributions to OPERS for the years ending December 31, 2003, 2002, and 2001 were approximately $5,134,000, $5,019,000, and $5,042,000, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

(c) Other Post-employment Benefits

OPERS also provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care 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 is set aside for funding of the post-retirement

(continued)

health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the 2003 rate was 13.55% of covered payroll; and 5.00% was the portion that was used to fund health care for the year. COTA's contributions actually made to fund post-employment benefits totaled $1,894,000 in 2003 and $1,852,000 in 2002.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

Summary of assumptions:

Actuarial Review – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2002.

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 – 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.

Investment Return – The investment assumption rate for 2002 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 6.30%.

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

OPEBs are advanced funded on an actuarially determined basis. The number of active participating participants at December 31, 2002, was 364,881. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2002 was $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $18.7 billion and $8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all person newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

(continued)

In response to the adverse investment returns experienced by OPERS from 2000 through 2002 and the continued staggering rate of health care inflation, the OPERS Board, during 2003, considered extending "Choices" type cost cutting measures to all active members and benefit recipients. As of February 2004, the Board has not determined the exact changes that will be made to the health care plan. However, changes to the plan are expected to be approved by the summer of 2004.

(9) Contingent Liabilities

(a) Litigation

It is the Authority's policy to act as self-insurer for certain insurable risks consisting primarily of public liability and property damage. At December 31, 2003, COTA has been named in various public liability and property damage claims and suits, some of which seek significant damages. The ultimate outcome of the claims and suits cannot be determined; however, it is the opinion of management that any resulting liability to the Authority in excess of that provided for in the accompanying balance sheet will not have a material adverse effect on the Authority's financial position.

(b) Federal and State Grants

Under the terms of the Authority's various grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2003, there were no material questioned costs that had not been resolved with appropriate federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of COTA's management, no material grant expenditures will be disallowed.

FTA grant stipulations also require the granter to retain assets acquired by FTA funds for the full estimated asset until life (as determined by the FTA). If this provision is not met, the granter must refund FTA's un-depreciated basis in assets disposed.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Supplemental Schedule of Revenues, Expenses and Changes in Net Assets - Budget vs. Actual (Accrual Basis)
Year ended December 31, 2003

	BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE) VARIANCE
OPERATING REVENUES	$14,131,616	$12,977,772	$ (1,153,844)
OPERATING EXPENSES OTHER THAN DEPRECIATION:			
Labor	38,086,102	32,751,632	5,334,470
Fringe benefits	14,628,333	19,934,358	(5,306,025)
Materials and supplies	6,751,043	6,655,227	95,816
Purchased transportation	4,364,378	4,257,470	106,908
Services	3,914,690	3,808,065	106,625
Utilities	1,352,294	1,336,767	15,527
Taxes	660,223	653,936	6,287
Leases and rentals	543,449	523,201	20,248
Claims and insurance, net of settlements	426,341	389,654	36,687
Advertising	330,700	323,209	7,491
Miscellaneous	491,386	457,596	33,790
Total	71,548,939	71,091,115	457,824
DEPRECIATION	11,406,247	10,938,634	467,613
Total operating expenses	82,955,186	82,029,749	925,437
OPERATING LOSS	(68,823,570)	(69,051,977)	(228,407)
NON-OPERATING REVENUES (EXPENSES):			
Sales tax revenues	43,338,424	43,773,881	435,457
Federal operating grants and reimbursements	11,585,636	10,874,105	(711,531)
State operating grants, reimbursements and special fare assistance	792,727	721,556	(71,171)
Investment income	753,190	423,413	(329,777)
Nontransportation and other revenues	473,380	440,485	(32,895)
Total	56,943,357	56,233,440	(709,917)
Loss before capital grants	(11,880,213)	(12,818,537)	(938,324)
CAPITAL GRANT REVENUE:			
Federal	18,397,939	6,398,882	(11,999,057)
State	6,312,919	2,274,687	(4,038,232)
Total	24,710,858	8,673,569	(16,037,289)
CHANGE IN NET ASSETS	12,830,645	(4,144,968)	(16,975,613)
NET ASSETS, BEGINNING OF YEAR	120,358,881	120,358,881	-
NET ASSETS, END OF YEAR	$133,189,526	$116,213,913	$ (16,975,613)

See accompanying Independent Auditors' report.

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

CENTRAL OHIO TRANSIT AUTHORITY

Revenues by Source

Last Ten Fiscal Years

(in thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
OPERATING REVENUES:										
Passenger fares for transit service	$10,574	$10,607	$11,493	$12,143	$12,680	$12,795	$12,779	$12,762	$12,773	$12,013
Special transit fares	120	128	188	258	431	385	476	433	291	374
Charter service revenue	25	41	7	21	24	22	30	21	18	23
Auxiliary transportation revenue	503	889	952	814	939	983	880	887	730	568
Total operating revenues	11,222	11,665	12,640	13,236	14,074	14,185	14,165	14,103	13,812	12,978
NONOPERATING REVENUES:										
Sales tax revenues	28,210 (1)	30,550 (1)	32,004 (1)	34,699 (1)	36,804 (1)	40,911 (1)	41,543 (1)	41,748 (1)	41,245	43,774
Federal operating grants and reimbursements	4,438	3,930	2,105	3,426	1,920	9,727	11,211	11,389	12,400	10,874
State operating grants, reimbursements and special fare assistance	3,782	3,767	3,468	3,367	3,655	3,342	3,920	2,136	860	722
Investment income	1,005	1,309	1,334	1,476	1,686	1,528	1,781	1,310	900	423
Nontransportation and other revenues	219	175	342	255	185	142	252	400	1,184	440
Experience Refund from Bureau of Workers' Compensation (BWC)	-	-	-	-	2,022	-	-	-	-	-
Planning study assistance revenues	1,221	145	155	46	55	30	17	-	-	-
Total nonoperating revenues before capital gifts and grants	38,875	39,876	39,408	43,269	46,327	55,680	58,724	56,983	56,589	56,233
Capital gifts and grants:										
Federal capital grants	2,283	17,238	2,453	2,378	3,312	9,386	5,138	23,475	3,125	6,399
State capital grants	1	322	54	152	34	876	617	2,850	351	2,275
Transfer of local share on capital funding earned	558	3,957	-	-	-	-	-	-	-	-
Donated capital	-	-	-	-	-	942	-	-	-	-
TOTAL REVENUES	$52,939	$73,058	$54,555	$59,035	$63,747	$81,069	$78,644	$97,411	$73,877	$77,885

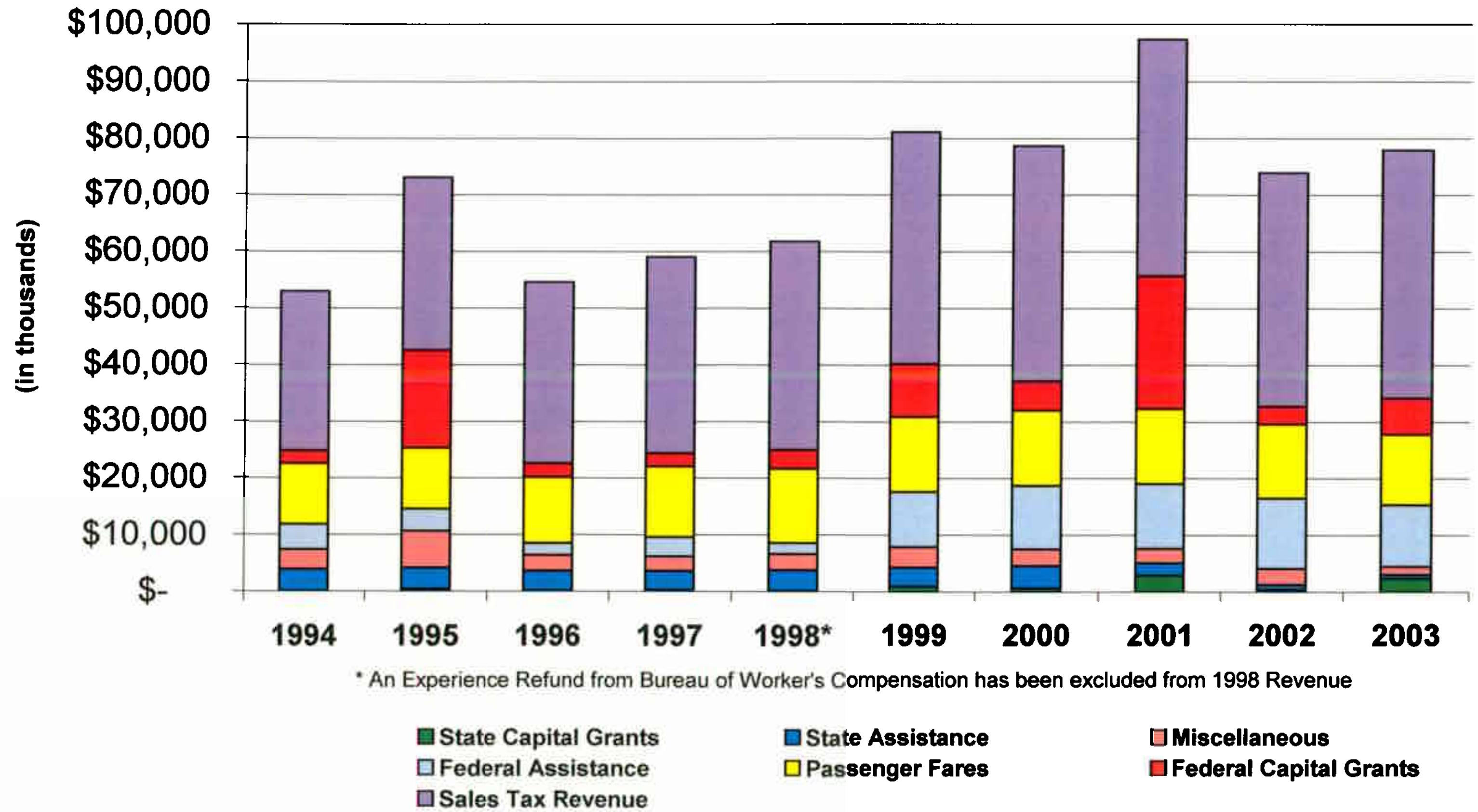
Amounts are presented in accordance with generally accepted accounting principles, on an accrual basis

Source: The Authority's independently audited annual financial statements

(1) : Sales Tax Revenue is restated from 1994 to 2000 due to changes in the recording of the revenue when earned, rather than when payment is received.

CENTRAL OHIO TRANSIT AUTHORITY

Revenues by Source
Last Ten Fiscal Years



CENTRAL OHIO TRANSIT AUTHORITY
Revenues and Operating Assistance - Comparison to Industry Trend Data
Last Ten Fiscal Years

TRANSPORTATION INDUSTRY (1)

YEAR	OPERATING AND OTHER REVENUE: PASSENGER	OTHER	TOTAL	OPERATING ASSISTANCE: STATE & LOCAL	FEDERAL	TOTAL	TOTAL ALL REVENUES
1994	37.6	12.6 (2)	50.2	44.7 (2)	5.1	49.8	100.0
1995	37.3	15.4	52.7	42.8	4.5	47.3	100.0
1996	38.7	15.3	54.0	42.9	3.1	46.0	100.0
1997	40.1	15.6	55.7	41.3	3.0	44.3	100.0
1998	40.8	15.2	56.0	40.1	3.9	44.0	100.0
1999	37.3	16.4	53.7	42.4	3.9	46.3	100.0
2000	36.1	17.4	53.5	42.4	4.1	46.5	100.0
2001	35.2	14.1	49.3	46.2	4.5	50.7	100.0
2002	32.5	17.3	49.8	45.3	4.9	50.2	100.0
2003	*	*	*	*	*	*	*

CENTRAL OHIO TRANSIT AUTHORITY (3)

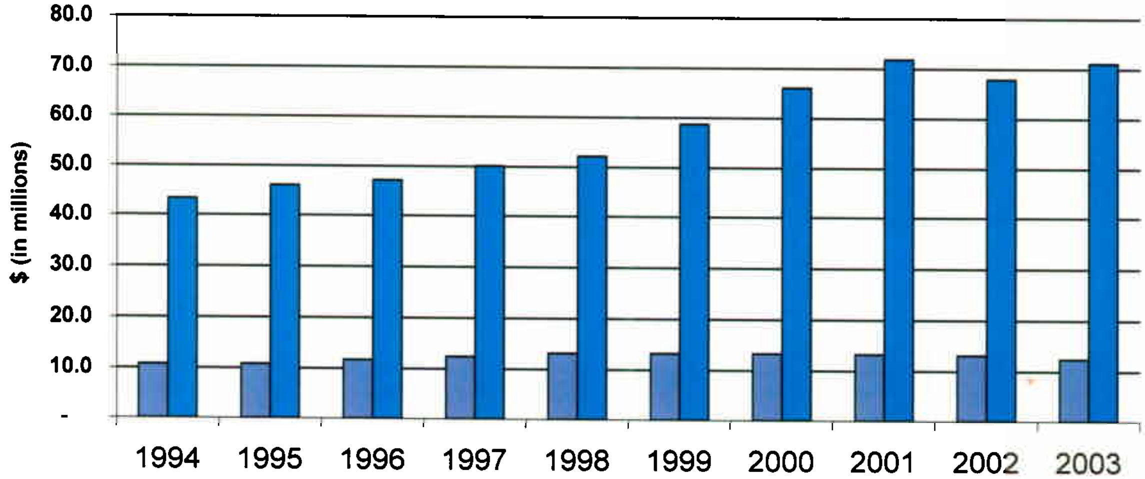
YEAR	OPERATING AND OTHER REVENUE: PASSENGER	OTHER (4)	TOTAL	OPERATING ASSISTANCE: STATE & LOCAL (6)	FEDERAL	TOTAL	TOTAL ALL REVENUES
1994	20.3	10.9	31.2	60.4	8.4	68.8	100.0
1995	14.7	32.9	47.6	47.0	5.4	52.4	100.0
1996	21.4	9.7	31.1	65.0	3.9	68.9	100.0
1997	21.0	8.7	29.7	64.5	5.8	70.3	100.0
1998	21.3	10.1 (5)	31.4	65.5	3.1	68.6	100.0
1999	16.3	17.1	33.4	54.6	12.0	66.6	100.0
2000	16.9	11.0	27.9	57.8	14.3	72.1	100.0
2001	13.6	29.7	43.3	45.0	11.7	56.7	100.0
2002	17.7	8.5	26.2	57.0	16.8	73.8	100.0
2003	15.9	13.0	28.9	57.1	14.0	71.1	100.0

* Information not available

(1) Source: The American Public Transit Association, *APTA Transit Fact Book*
(2) Beginning in 1994, other local government subsidies such as bridge and tunnel tolls and non-transit parking lot fees were reclassified from "local operating assistance" to "other revenue"
(3) Percentages are derived from the Authority's independently audited annual financial statements, restated from 1994 to 2000 due to changes in the recording of local sales tax revenue and the recognition of capital grants and gifts as revenues
(4) Includes auxiliary transportation revenues, interest income, planning study assistance revenue, nontransportation, other revenues and capital grants
(5) Excludes experience refund from the Bureau of Workers' Compensation (BWC)
(6) Includes local sales tax revenues, and state operating grants, reimbursements, and special fare assistance

CENTRAL OHIO TRANSIT AUTHORITY

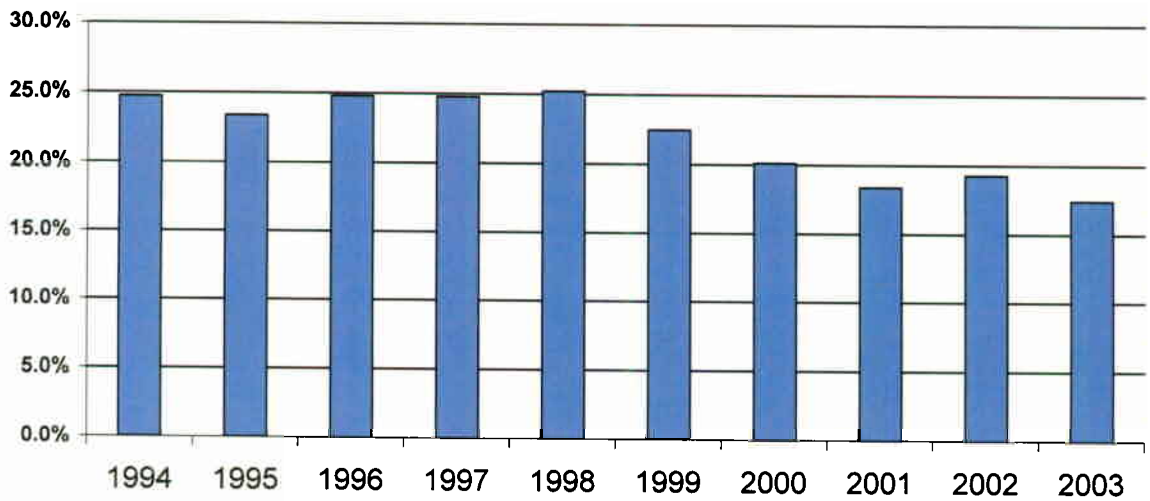
Farebox Revenues vs. Operating Expenses
Last Ten Fiscal Years



Farebox revenues include passenger, special transit, and charter revenues; operating expenses exclude depreciation

CENTRAL OHIO TRANSIT AUTHORITY

Farebox Recovery Ratio
Last Ten Fiscal Years



Recovery ratio is calculated as farebox revenues (as defined above) divided by operating expenses (as defined above)

CENTRAL OHIO TRANSIT AUTHORITY
Expenses by Object Class
Last Ten Fiscal Years
(in thousands)

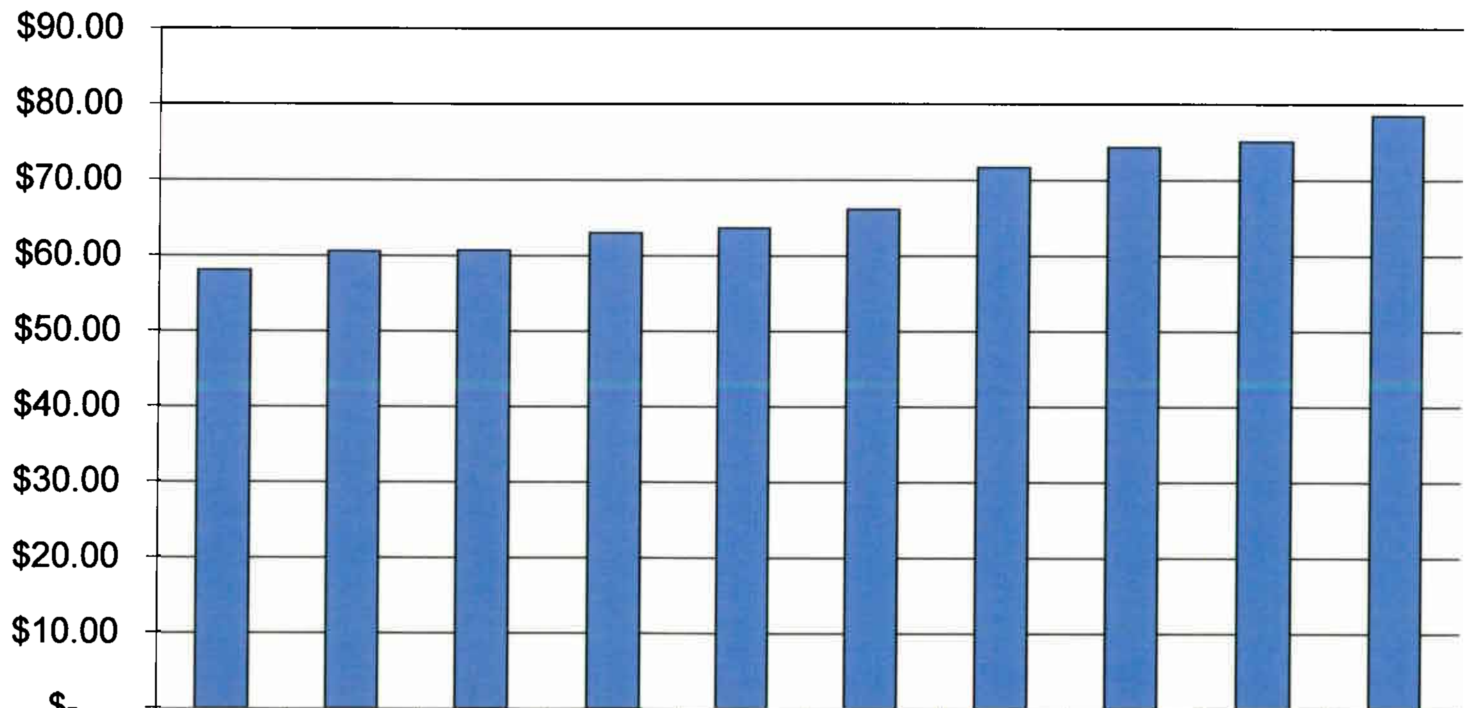
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
OPERATING EXPENSES										
OTHER THAN DEPRECIATION:										
Labor	$21,973	$22,920	$23,968	$24,729	$26,551	$28,518	$31,218	$34,037	$32,590	$32,752
Fringe benefits	11,024	12,296	12,117	13,579	12,790	14,233	14,694	18,504	18,769	19,934
Services	2,440	2,458	2,237	2,413	2,913	5,003	6,184	4,714	3,765	3,808
Materials and supplies	3,664	3,761	3,760	3,641	3,855	4,311	6,143	6,285	5,483	6,655
Utilities	851	862	1,062	887	892	970	1,137	1,369	1,173	1,337
Claims and insurance	324	248	(72)	106	99	224	276	440	337	390
Taxes	540	546	576	569	594	635	649	696	621	654
Purchased transportation	1,637	1,922	2,469	2,942	3,023	3,268	3,912	4,077	3,877	4,257
Leases and rentals	119	120	211	161	151	132	285	399	558	523
Miscellaneous	755	912	787	1,090	1,275	1,392	1,578	1,255	677	781
Total	43,327	46,045	47,115	50,117	52,143	58,686	66,076	71,776	67,850	71,091
DEPRECIATION	7,810	7,801	8,176	7,370	7,750	8,252	8,635	10,851	13,644	10,939
Total operating expenses	51,137	53,846	55,291	57,487	59,893	66,938	74,711	82,627	81,494	82,030
NONOPERATING EXPENSES:										
Interest expense	501	437	370	298	221	140	53	-	-	-
Planning study expense	1363	181	193	58	68	37	21	-	-	-
TOTAL EXPENSES	$53,001	$54,464	$55,854	$57,843	$60,182	$67,115	$74,785	$82,627	$81,494	$82,030

Amounts are presented in accordance with generally accepted accounting principles, on an accrual basis

Source: The Authority's independently audited annual financial statements

CENTRAL OHIO TRANSIT AUTHORITY

Operating Expenses per Vehicle Hour
Last Ten Fiscal Years



	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Expense per Vehicle Hour	$58.09	$60.56	$60.69	$63.03	$63.65	$66.18	$71.71	$74.37	$75.14	$78.58

Operating expenses exclude depreciation

CENTRAL OHIO TRANSIT AUTHORITY
Operating Expenses - Comparison to Industry Trend Data
Last Ten Fiscal Years

TRANSPORTATION INDUSTRY (1)

YEAR	LABOR AND FRINGES	SERVICES	MATERIALS AND SUPPLIES	UTILITIES	CLAIMS AND INSURANCE	PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
1994	70.7	4.7	8.9	3.6	3.4	10.9	(2.3)	100.0
1995	71.1	4.8	9.0	3.5	2.9	10.8	(2.1)	100.0
1996	71.6	5.1	9.3	3.6	2.8	9.9	(2.3)	100.0
1997	72.2	5.6	9.4	3.7	2.7	9.1	(2.7)	100.0
1998	71.7	6.0	9.4	3.5	2.4	10.1	(3.1)	100.0
1999	70.9	5.9	9.2	3.3	2.2	11.5	(3.0)	100.0
2000	69.8	5.7	10.0	3.2	2.2	12.2	(3.1)	100.0
2001	69.5	5.9	10.0	3.3	2.1	12.6	(3.4)	100.0
2002	70.2	6.2	9.2	3.1	2.5	12.0	(3.2)	100.0
2003	*	*	*	*	*	*	*	*

CENTRAL OHIO TRANSIT AUTHORITY (3)

YEAR	LABOR AND FRINGES	SERVICES	MATERIALS AND SUPPLIES	UTILITIES	CLAIMS AND INSURANCE	PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
1994	76.2	5.6	8.4	2.0	0.7	3.8	3.3	100.0
1995	76.5	5.3	8.2	1.9	0.5	4.2	3.4	100.0
1996	76.6	4.8	8.0	2.3	(0.2)	5.2	3.3	100.0
1997	76.4	4.8	7.3	1.8	0.2	5.9	3.6	100.0
1998	75.4	5.6	7.4	1.7	0.2	5.8	3.9	100.0
1999	72.8	8.5	7.3	1.7	0.4	5.6	3.7	100.0
2000	69.5	9.4	9.3	1.7	0.4	5.9	3.8	100.0
2001	73.2	6.6	8.7	1.9	0.6	5.7	3.3	100.0
2002	75.7	5.5	8.2	1.7	0.5	5.7	2.7	100.0
2003	74.1	5.4	9.3	1.9	0.5	6.0	2.8	100.0

* Information not available

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

(2) Total operating expenses exclude depreciation

(3) Percentages are derived from the Authority's independently audited annual financial statements

CENTRAL OHIO TRANSIT AUTHORITY
Legal Debt Margin
December 31, 2003
(in thousands)

CALCULATION OF LEGAL OVERALL DEBT MARGIN:

Total assessed property valuation of Authority (2003 tax year valuation) (1)	$25,474,793
Multiplied by: Legal overall debt limitation (%)	5.00%
Equals: Total legal voted and unvoted debt limitation	$1,273,740
Less: Nonexempt general obligation debt (voted and unvoted) (2)	$ -
Equals: Legal overall debt margin (maximum amount permitted for new voted and unvoted nonexempt general obligation debt issuances)	$1,273,740

CALCULATION OF LEGAL UNVOTED DEBT MARGIN:

Total assessed property valuation of Franklin County (2003 tax year valuation) (1)	$25,474,793
Multiplied by: Legal unvoted debt limitation (%)	0.10%
Equals: Legal unvoted debt limitation	$25,475
Less: Maximum aggregate amounts of principal and interest payable in any one calendar year (2)	$ -
Equals: Legal unvoted debt margin (maximum annual debt service charges permitted for new unvoted nonexempt general obligation debt issuances)	$25,475

Sources:

(1) Franklin County Auditor's Office

(2) The Authority's independently audited annual financial statements

CENTRAL OHIO TRANSIT AUTHORITY
Ratio of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita
Last Ten Fiscal Years

YEAR	POPULATION		ASSESSED VALUE (3)	GENERAL BONDED DEBT (4)	RATIO OF BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
1994	1,014,465	(2)	$15,672,478,794	$ 7,025,000	0.04%	$ 6.92
1995	1,027,599	(2)	$16,055,247,822	$ 6,030,000	0.04%	$ 5.87
1996	1,042,011	(2)	$17,356,432,082	$ 4,970,000	0.03%	$ 4.77
1997	1,056,654	(2)	$17,916,289,322	$ 3,840,000	0.02%	$ 3.63
1998	1,067,002	(2)	$18,607,708,184	$ 2,640,000	0.01%	$ 2.47
1999	1,079,204	(2)	$21,032,111,000	$ 1,360,000	0.01%	$ 1.26
2000	1,068,978	(1)	$22,321,127,505	$ -	0.00%	$ -
2001	1,071,524	(1)	$22,705,244,424	$ -	0.00%	$ -
2002	1,086,814	(1)	$25,447,191,720	$ -	0.00%	$ -
2003	1,088,944	(1)	$25,474,792,681	$ -	0.00%	$ -

Sources:

(1) U. S. Department of Commerce - Bureau of the Census

(2) Mid-Ohio Regional Planning Commission estimate for year ended

(3) Franklin County Auditor's Office

(4) The Authority's independently audited annual financial statements

CENTRAL OHIO TRANSIT AUTHORITY
Long-Term Debt Coverage
Last Ten Fiscal Years

YEAR	REVENUES (1)	CAPITAL GRANTS	EXPENSES (2)	NET REVENUE OVER EXPENSES AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS (3) PRINCIPAL	INTEREST	TOTAL	DEBT COVERAGE RATIO
1994	$52,938,990 (4)	$2,842,174	$44,690,175	$5,406,641	$940,000	$526,650	$1,466,650	3.69
1995	$73,058,141 (4)	$21,516,748	$46,226,053	$5,315,340	$995,000	$464,610	$1,459,610	3.64
1996	$54,555,395 (4)	$2,506,711	$47,308,852	$4,739,832	$1,060,000	$398,940	$1,458,940	3.25
1997	$59,034,746 (4)	$2,529,386	$50,174,869	$6,330,491	$1,130,000	$328,980	$1,458,980	4.34
1998	$63,747,021 (4)	$3,346,323	$52,212,282	$8,188,416	$1,200,000	$254,400	$1,454,400	5.63
1999	$81,068,790 (4)	$11,204,322	$58,723,178	$11,141,290	$1,280,000	$174,900	$1,454,900	7.66
2000	$78,643,939 (4)	$5,754,983	$66,098,090	$6,790,866	$1,360,000	$52,557	$1,412,557	4.81
2001	$97,411,440	$26,326,019	$71,775,532	($690,111)	$ -	$ -	$ -	N/A
2002	$73,876,513	$3,476,162	$67,850,330	$2,550,021	$ -	$ -	$ -	N/A
2003	$77,884,781	$8,673,569	$71,091,115	($1,879,903)	$ -	$ -	$ -	N/A

Note: There was no long-term debt outstanding, except for capital lease obligations, prior to 1990

Source: The Authority's independently audited financial statements

(1) Revenues include all operating revenues, nonoperating revenues, and an Experience Refund from the Bureau of Workers Compensation (1998)

(2) Total expenses exclude depreciation and interest expense

(3) Excludes principal and interest paid on capital lease obligations

(4) Revenues are restated from 1992 to 2000 due to changes in the recording of local sales tax revenue and the recognition of capital grants and gifts as reve

CENTRAL OHIO TRANSIT AUTHORITY
Computation of Direct and Overlapping Debt
December 31, 2003
(in 000's)

POLITICAL SUBDIVISION	GROSS GENERAL OBLIGATION DEBT	--APPLICABLE TO THE AUTHORITY-- PERCENTAGE (1)	DOLLAR AMOUNT
Central Ohio Transit Authority	$ -	100.00 %	$ -
Franklin County	146,590	100.00	146,590
Cities wholly within Franklin County	1,441,267	100.00	1,441,267
Cities with overlapping jurisdictions:			
City of Dublin	56,658	87.12	49,360
City of Pickerington	14,260	0.49	70
Villages wholly within Franklin County	29,415	100.00	29,415
Village with overlapping jurisdiction:			
Village of Canal Winchester	6,557	90.84	5,956
Townships wholly within Franklin County	6,396	100.00	6,396
Township with overlapping jurisdiction:			
Washington Township	3,285	87.38	2,870
School Districts wholly within Franklin County	438,375	100.00	438,375
School Districts with overlapping jurisdictions:			
Canal Winchester Local	31,778	76.71	24,377
Dublin City	160,428	84.71	135,899
Hilliard City	126,936	99.99	126,923
Licking Heights Local	23,778	47.32	11,252
Madison Plains Local	50	3.30	2
Olentangy Local	53,120	0.12	64
Pickerington Local	96,860	1.84	1,782
Plain Local	47,574	99.97	47,560
South-Western City	137,235	99.85	137,029
Teays Valley Local	21,680	0.10	22
Westerville City	127,962	79.30	101,474
Delaware County Joint Vocational	355	0.07	-
Eastland Joint Vocational	1,680	64.84	1,089
Licking County Joint Vocational	733	5.37	39
Library with overlapping jurisdiction:			
Delaware County District Library	1,710	0.08	1
New Albany/Plain Joint Park District	5,000	99.97	4,999
TOTAL:			$ 2,712,811

Source: Franklin County Auditor's Office; primarily from debt schedules submitted by subdivisions to the Franklin County Budget Commission and the Settlement Division of the Franklin County Auditor's Office

(1) Percentages were determined by dividing the assessed valuation of the portion of the jurisdiction within Franklin County by the total assessed valuation of the entire jurisdiction. Valuations used are the 2003 tax year.

CENTRAL OHIO TRANSIT AUTHORITY
Operating Statistics
Last Ten Fiscal Years

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
SYSTEM RIDERSHIP (1)										
Motor bus	18,023,895	17,532,795	17,553,264	17,762,583	18,326,115	18,790,187	18,742,704	18,388,361	16,193,336	15,626,090
Demand responsive	90,282	100,974	101,801	106,125	106,398	120,959	132,083	145,472	144,149	159,043
AVERAGE WEEKDAY SYSTEM RIDERSHIP (1)										
Motor bus	61,663	60,583	59,993	61,183	62,410	64,152	64,195	62,727	55,388	53,564
Demand responsive	320	363	360	377	377	430	448	494	491	545
VEHICLE MILES OPERATED (1)										
Motor bus	9,493,744	9,524,653	9,699,757	9,663,430	10,192,042	10,857,075	11,071,394	11,733,569	10,841,703	10,436,614
Demand responsive	1,097,648	1,224,252	1,367,784	1,651,280	1,612,679	1,657,429	1,972,276	2,261,162	2,300,019	2,425,619
AVERAGE WEEKDAY VEHICLE MILES OPERATED (1)										
Motor bus	31,982	32,007	32,481	32,360	34,667	36,554	37,611	39,685	36,773	35,334
Demand responsive	3,934	4,457	4,901	5,790	5,648	5,812	6,815	7,658	7,827	8,211
REVENUE MILES (1)										
Motor bus	7,782,654	7,798,315	7,938,033	7,887,056	8,323,748	8,837,544	8,976,194	9,613,569	8,969,438	8,573,845
Demand responsive	888,689	1,000,743	1,134,584	1,328,320	1,314,432	1,376,978	1,794,407	1,910,178	1,840,470	1,974,193
PASSENGER MILES (1)										
Motor bus	84,557,756	73,622,749	71,654,194	70,436,988	73,676,286	77,630,395	74,871,624	73,620,822	66,760,008	59,179,319
Demand responsive	738,604	884,662	1,052,776	991,220	993,803	1,197,628	1,137,037	1,210,873	1,167,147	1,233,710

Source:
(1) The Authority's annual *National Transit Database Report, filed with the Federal Transit Administration*

(continued on next page)

CENTRAL OHIO TRANSIT AUTHORITY
Operating Statistics
Last Ten Fiscal Years (continued)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
VEHICLE HOURS OPERATED (1)										
Motor bus	681,421	688,191	697,136	701,934	727,710	793,260	806,190	838,841	776,011	747,313
Demand responsive	64,391	72,082	79,221	93,220	91,490	96,238	116,232	126,211	127,016	136,894
VEHICLE REVENUE HOURS (1)										
Motor bus	611,447	617,900	626,187	631,904	654,377	713,514	723,458	754,911	704,603	679,857
Demand responsive	54,812	62,025	68,857	78,304	79,515	83,043	100,346	108,908	103,217	112,360
DIESEL FUEL CONSUMPTION (IN GALLONS) (1)	2,367,318	2,391,932	2,520,895	2,346,910	2,511,320	2,818,479	2,539,085	2,780,251	2,665,189	2,607,032
FLEET REQUIREMENTS (DURING PEAK HOURS) (1)										
Motor bus	257	255	256	252	258	266	277	282	250	247
Demand responsive	19	20	30	32	32	36	36	36	38	43
TOTAL REVENUE VEHICLES DURING PERIOD (1)										
Motor bus	344	402	370	325	312	321	322	346	299	308
Demand responsive	24	26	41	38	38	43	43	43	43	58
NUMBER OF EMPLOYEES (2)	730 (1)	723 (1)	683 (1)	710 (1)	747 (1)	796 (1)	815	843	775	757

Source:

(1) The Authority's annual *National Transit Database Report, filed with Federal Transit Administration*

(2) The Authority's published general-purpose annual financial report to the community for the year then ended

CENTRAL OHIO TRANSIT AUTHORITY
Fare Rate Structure
December 31, 2003

CASH OR TICKET FARES:	
Express	$ 1.75
Local and crosstown	1.25
Project Mainstream (1)	1.75
COTA LINK (2)	0.25
Transfer	0.10
DAY PASSES (3):	
Adult (4)	$ 3.00
Human Service Agency (5)	2.50
Children 7-12 years, Senior Discount Card (6), Key Card (7) or ADA Card (8)	1.50
MONTHLY PASSES:	
Express	$ 55.00
Local	40.00
Project Mainstream (1)	55.00
Senior Discount Card (6), Key Card (7), or ADA Card (8)	18.00
SPECIAL FARES:	
Children over 48" and under 12 years old, Senior Discount Card (7), Key Card (7) or ADA Card (8)	$ 0.60
Children under 48" tall	FREE
S.C.O.T. (9)	2.50/Person, 75.00 minimun

(1) Door-to-door service on demand, in wheelchair lift-equipped paratransit mini-buses, for eligible disabled riders holding an "ADA" card

(2) Midday shuttle-type service

(3) Good for unlimited travel on all local/crosstown routes from time of validation until midnight

(4) Additional $0.50 required for express service

(5) Distributed by approved nonprofit service agencies for use by their clientele

(6) Photo identification card, for riders aged 65 and over

(7) Photo identification card, for eligible disabled riders

(8) Photo identification card, for physically or mentally disabled riders eligible for Project Mainstream service

(9) Senior Citizens On the Town - roundtrip fare for special service to groups of thirty or more senior citizens

CENTRAL OHIO TRANSIT AUTHORITY
Demographic Statistics
Last Ten Fiscal Years

YEAR	POPULATION (1)		PER CAPITA INCOME (3)	MEDIAN AGE (4)		K - 12 SCHOOL ENROLLMENT (6)	UNEMPLOYMENT RATE (7)
1994	1,014,465		$22,959	32.6		174,459	3.7%
1995	1,027,599		$24,943	33.0		177,296	3.0%
1996	1,042,011		$25,959	33.0	(5)	181,386	2.9%
1997	1,056,654		$26,647	33.0	(5)	183,351	2.7%
1998	1,067,002		$29,425	32.9	(5)	188,704	2.5%
1999	1,079,204		$30,214	32.9		190,857	2.5%
2000	1,068,978	(2)	$31,908	32.5		192,794	2.4%
2001	1,071,524		$32,361	*		197,731	2.8%
2002	1,086,814	(2)	$32,947	*		197,300	4.4%
2003	1,088,944	(2)	*	*		197,914	4.9%

Note: All information presented is for Franklin County

* Information not available

Sources:

(1) Mid-Ohio Regional Planning Commission estimate for the year ended

(2) U. S. Department of Commerce - Bureau of the Census

(3) U. S. Department of Commerce - Bureau of Economic Analysis

(4) "Survey of Buying Power", special issue published annually by "Sales and Marketing Management" magazine

(5) "Sourcebook of County Demographics", 10th & 11th ed., published by CACI Marketing Systems, Arlington, VA

(6) Ohio Department of Education - Division of Information Management Services

(7) Ohio Department of Job and Family Services

CENTRAL OHIO TRANSIT AUTHORITY
Miscellaneous Statistics
As of, or for, the Year ended December 31, 2003

Date of creation of Authority by local county and municipal governments	February 17, 1971
Date of acquisition of assets of Columbus Transit Company (C.T.C.)	June 29, 1973
Date of commencement of Authority operations	January 1, 1974
Form of government	Board of Trustees, with fulltime President/CEO
Number of Trustees	13
County in which Authority operates	Franklin County and small portions of adjacent Delaware, Fairfield and Licking Counties, Ohio
Type of tax support	Service Area Sales Tax - 1/4% (permanent)
Size of Authority	555 square miles
Miles of route	970.8
Number of routes	65
Number of bus stop locations	4,549
Number of bus stop passenger shelters	434
Number of Park-and-Ride facilities	25
Parking capacity, all Park-and-Ride facilities	2,226 automobiles
Number of active fleet buses	297
Average bus vehicle age	6.25 years
Average system speed	13.97 miles per hour
Average system fuel economy	4.93 miles per gallon
Number of customer information calls received	1,000,763

COTA

Central Ohio Transit Authority
1600 McKinley Avenue
Columbus, OH 43222
(614) 275-5800
www.COTA.com

Central Ohio Transit Authority

Independent Accountants' Report on Information Reported to the Federal Transit Administration for the Year Ended December 31, 2003

Deloitte

Deloitte & Touche LLP
155 East Broad Street
Columbus, OH 43215-3611
USA

Tel: +1 614 221 1000
Fax: +1 614 229 4647
www.deloitte.com

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Trustees
Central Ohio Transit Authority

We understand that the Central Ohio Transit Authority (the "Authority") is eligible to receive Urbanized Area Formula Program grants of the Federal Transit Act, as amended, and in connection therewith, the Authority is required to report certain information to the Federal Transit Administration ("FTA").

The FTA has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form (FFA 10) of the Authority's annual National Transit Database ("NTD") report:

- A system is in place and maintained for recording data in accordance with NTD definitions. The correct data is being measured and no systematic errors exist.
- A system is in place to record data on a continuing basis and the data gathering is an ongoing effort.
- Source documents are available to support the reported data and are maintained for FTA review and audit for a minimum of three years following the FTA's receipt of the NTD report. The data is fully documented and securely stored.
- A system of internal controls is in place to ensure the accuracy of the data collection process and that the recording system and reported amounts are not altered. Documents are reviewed and signed by a supervisor, as required.
- The data collection methods are those suggested by the FTA or meet FTA requirements.
- The deadhead miles, computed as the difference between the reported total actual vehicle miles data and the reported total actual vehicle revenue miles data, appear to be accurate.
- Data is consistent with prior reporting periods and other facts known about the Authority's operations.

We have applied the procedures to the data contained in the accompanying Federal Funding Allocation Statistics Form (901) for the fiscal year ended December 31, 2003. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2003 Reporting Manual* and were agreed to by the Authority, were applied to assist you in evaluating whether the Authority complied with the standards described in the second paragraph of this report and that the information included in the NTD report Federal Funding Allocation Statistics Form (FFA 10) for the fiscal year ended December 31, 2003, is presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System, Final Rule,* as specified in 49 CFR Part 630, *Federal Register,* January 15, 1993, and as presented in the *2003 Reporting Manual.*

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described above either for the purpose for which this report has been requested or for any other purpose. This report is intended solely for your information and FTA and should not be used by those who did not participate in determining the procedures.

The procedures were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of the Authority for the fiscal year ended December 31, 2003, for each of the following modes:

- Motor Bus - directly operated
- Demand Response - purchased transportation

The following information and findings came to our attention as a result of performing the procedures described in the Attachment to this report:

None

The agreed-upon procedures are substantially less in scope than an examination, the objective of which is an expression of an opinion on the Federal Funding Allocation Statistics Form (901). Accordingly, we do not express such an opinion. Also, we do not express an opinion on the Authority's system of internal control taken as a whole.

In performing the procedures, except for the information and findings described above, no matters came to our attention that caused us to believe that the information included in the NTD report on the Federal Funding Allocation Statistics Form (FFA 10) for the fiscal year ended December 31, 2003, is not presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System, Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the *2003 Reporting Manual*. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to the information described above and does not extend to the Authority's financial statements taken as a whole, or the forms in the Authority's NTD report, other than the Federal Funding Allocation Statistics Form (FFA 10), for any date or period.

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

Deloitte & Touche LLP

April 28, 2004

SECTION 9 CERTIFICATION – AGREED-UPON PROCEDURES

The results of the agreed-upon procedures performed in conjunction with the requirements of the *Uniform System of Accounts and Records and Reporting System, Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the *2003 Reporting Manual*, are identified below.

Step

a. Discussed procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR, Part 630, *Federal Register*, January 15, 1993, and as presented in the *2003 Reporting Manual*, with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data.

b. Discussed the procedures with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:

   - The extent to which the Authority followed the procedures on a continuous basis, and

   - Whether they believe such procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR, Part 630, *Federal Register*, January 15, 1993, and as presented in the *2003 Reporting Manual*.

c. Inquired of the same person concerning the retention policy that is followed by the Authority with respect to source documents supporting the NTD data reported on the Federal Funding Allocation Statistics Form (FFA 10).

d. Based on a description of the Authority's procedures obtained in Items a. and b. above, identified all the source documents which are to be retained by the Authority for a minimum of three years.

   For each type of source document, selected the months of January, May and September and observed that each type of source document existed for each of these periods.

e. Discussed the system of internal controls with the person responsible for supervising and maintaining the NTD data. Inquired whether individuals, independent of the individuals preparing the source documents and posting the data summaries, review the source documents and data summaries for completeness, accuracy and reasonableness and how often such reviews are performed.

f. We did not review selected source documents to ascertain whether signatures were present as the Authority does not review hard copy documents. Data is prepared using the scheduling and Automatic Passenger Counters ("APC") system. The annual analytical review is performed online by someone independent of data entry in lieu of signatures. Evidence of this online review was noted.

g. Obtained the worksheets utilized by the Authority to prepare the final data which are transcribed onto the Federal Funding Allocation Statistics Form (FFA 10). Reviewed actual revenue miles calculations per the hubodometer system and passenger mile information calculated using APC data. Compared the data per driver manifests to that included on the system generated summary data. Tested the arithmetical accuracy of the summarizations.

h. Discussed the Authority's procedures for accumulating and recording passenger mile data in accordance with NTD requirements with the Authority's staff, noting that the Authority uses an estimate of passenger miles based on statistical sampling meeting the FTA's 95% confidence and 10% precision requirements. The Authority uses an alternative sampling procedure and, therefore, we inquired whether the procedure has been approved by the FTA. The FTA approved the sampling procedure on April 27, 1987.

i. Discussed with the Authority's staff the Authority's eligibility to conduct statistical sampling for passenger mile data every third year. Determined whether the Authority meets one of the three criteria which allow reporters to conduct statistical samples for accumulating passenger mile data every third year rather than annually. However, the Authority has elected to conduct statistical samples on an annual basis.

j. Obtained a description of the sampling procedures for estimation of passenger mile data used by the Authority. We were informed that the Authority's sampling procedures for the estimation of passenger mile data is substantially as described in the Authority's letter, submitted to FTA, dated April 27, 1987. We noted no exceptions to the stated sampling procedures described in the above letter.

k. Examined the passenger mile sample information generated from the automatic passenger count system and, based on this information, proved the computation of passenger miles for the year ended December 31, 2003.

l. Discussed the procedures for systematic exclusion of charter, school bus and other ineligible vehicle miles from the calculation of vehicle revenue miles with the Authority's staff and determined that stated procedures are followed. Selected a random sample of source documents used to record charter and school bus mileage and tested the arithmetical accuracy of calculations.

m. For vehicle revenue mile data, documented the collection and recording methodology and determined that deadhead miles are systematically excluded from the computation. Vehicle revenue miles are calculated using a hybrid system of scheduling and hubodometer. Reviewed calculation of vehicle revenue mileage data for January, May and September and tested for arithmetical accuracy of the calculations.

n. *2003 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

o. *2003 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

p. *2003 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

q. *2003 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

r. *2003 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

s. *2003 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

t. Compared operating expenses with audited financial data, after reconciling items are removed.

u. Interviewed personnel responsible for reporting NTD data regarding the amount of purchased transportation (PT) generated fare revenues. Noted the purchased transportation fare revenues equal to amounts reported on the Contractual Relationship Form (B-30).

v. *2003 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

w. Obtained a copy of the purchased transportation contract and ascertained that the contract (1) specified the specific mass transportation services to be provided by the contractor; (2) specified the monetary consideration obligated by the agency contracting for the service; (3) specified the period covered by the contract and that this period is the same as, or a portion of, the period covered by the agency's NTD Report; and (4) was signed by representatives of both parties to the contract. Inquired of the person responsible for maintaining the NTD data regarding the retention of the executed contract, and ascertained that copies of the contracts are retained for three years.

x. *2003 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

y. Compared the data reported on the Federal Funding Allocation Statistics Form (FFA 10) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. Noted that actual vehicle revenue miles did not increase or decrease by more than 10% in 2003 relative to the prior reporting period. Noted that passenger miles decreased by more than 10% in 2003 relative to the prior reporting period while operating expenses increased by more than 10% in 2003 relative to the prior reporting period.

Auditor of State
Betty Montgomery

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CENTRAL OHIO TRANSIT AUTHORITY

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
JULY 20, 2004