

# ***Central Ohio Transit Authority***

*Financial Statements for the Years Ended  
December 31, 2004 and 2003 and Reports  
Issued Pursuant to OMB Circular A-133 for  
the Year Ended December 31, 2004*





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Central Ohio Transit Authority  
1600 Mckinley Ave.  
Columbus, Ohio 43222-1093

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, 2004 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY  
Auditor of State

July 12, 2005

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# CENTRAL OHIO TRANSIT AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the balance sheets of Central Ohio Transit Authority (the "Authority") as of December 31, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

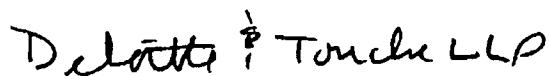
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

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

Management's Discussion and Analysis on pages 2-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 audits 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 8, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

April 8, 2005

## 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 year ended December 31, 2004. 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 and notes to the financial statements, which follow this section and provide more specific detail.

### Overview of Financial Highlights

- The Authority has net assets of \$114.1 million. These net assets result from the difference between total assets of \$124.3 million and total liabilities of \$10.2 million.
- The Authority's net assets decreased by \$2.1 million in 2004 primarily due to reduced passenger revenue, increased health care costs, and the transfer of certain revenue vehicles to other transit systems. In 2003 the Authority's net assets decreased by \$4.1 million primarily due to reduced passenger revenue, increased health care costs and reduced federal operating assistance.
- Current assets of \$29.8 million primarily consist of non-restricted cash and cash equivalents of \$6.9 million; sales tax receivable of \$11.9 million, federal operating assistance receivable of \$4.3 million, inventory of \$1.9 million, and Board designated assets of \$2.7 million.
- Current liabilities of \$9.8 million primarily consist of accrued payroll and fringe benefits of \$5.6 million, and accounts payable of \$2.7 million.
- The Authority has no long-term debt.

### Basic Financial Statements and Presentation

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.



# **CENTRAL OHIO TRANSIT AUTHORITY**

## **Management's Discussion and Analysis**

### **Year Ended December 31, 2004**

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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 decrease when expenses exceed revenues. Decreases in assets without a corresponding decrease to liabilities results in decreased net assets, which indicate a deteriorated financial position.

The Statements of Revenues, Expenses and Changes in Net Assets on page 15 presents information showing how the Authority's net assets changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal and state governments.

The Statements of Cash Flows on page 16 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. The notes to the financial statements can be found on pages 18-32.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Central Ohio Transit Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of Chief Financial Officer  
Central Ohio Transit Authority  
1600 McKinley Ave.  
Columbus, OH 43222-1093

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2004**

**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:

<u>Description</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Assets</b>			
Current Assets	\$ 26,527,017	\$ 29,246,365	\$ 32,493,484
Board Designated Assets (current)	2,721,804	3,190,438	4,673,375
Restricted Assets (current)	536,110	437,146	149,287
Board Designated Assets (non-current)	11,918,260	11,724,156	11,984,665
Capital Assets (net of accumulated depreciation)	<u>82,607,483</u>	<u>82,306,157</u>	<u>82,073,263</u>
Total Assets	124,310,674	126,904,262	131,374,074
<b>Liabilities</b>			
Current Liabilities	9,835,968	9,609,749	9,800,813
Non-Current Liabilities	<u>383,559</u>	<u>1,080,600</u>	<u>1,214,380</u>
Total Liabilities	10,219,527	10,690,349	11,015,193
<b>Net Assets</b>			
Net Assets Invested in Capital Assets	82,607,483	82,306,157	82,073,263
Net Assets Restricted for Capital Assets	536,110	437,146	149,287
Net Assets Unrestricted	<u>30,947,554</u>	<u>33,470,610</u>	<u>38,136,331</u>
Total Net Assets	\$ <u>114,091,147</u>	\$ <u>116,213,913</u>	\$ <u>120,358,881</u>

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. The Authority's investment in capital assets as of December 31, 2004 amounts to \$82.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, revenue vehicles, transit shelters, other equipment, and construction in progress. The total increase in COTA's investment in capital assets for 2004 was \$0.3 million.

Major capital asset events during 2004 included the following:

- Sixteen replacement paratransit buses were purchased totaling \$0.7 million.
- Five replacement 40-foot buses were purchased for a total of \$1.4 million.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2004**

- Thirteen buses with a net book value of \$1.8 million were transferred to other transit systems.
- Twenty 1991 series buses with a historical cost of \$3.9 million were retired.
- Sixteen paratransit buses and three trolleys originally costing a total of \$1.5 million were also retired.
- Construction in progress includes the following projects:  
 Continued progress on planning for the North Corridor Light Rail Project amounted to \$5.1 million,  
 Construction of the Easton Daycare Facility adjacent to the Easton Transit Center accounted for \$1.1 million,  
 Multiple Intelligent Transportation Systems including the Annunciator and Automated Passenger Counter projects totaled \$1.9 million, and  
 Multimodal Transportation Terminal related projects were valued at \$0.8 million.

Additional information on the Authority's capital assets can be found in Note 4 in the Notes to the Financial Statements located on page 26.

The Authority's current assets at the end of 2004 are composed of cash and cash equivalents (32%), receivables (60%), inventory (7%), and other assets (1%) consisting predominately of prepaid expenses.

**Expenses by Functional Category**

The Statements of Revenues, Expenses and Changes in Net Assets are presented on the next page with explanations and analysis following. The Authority's expenses, excluding depreciation, can also be classified by functional category as defined by the Authority's National Transit Database Report (NTDR) and summarized in the following table:

**EXPENSES BY FUNCTION**  
**(Excluding Depreciation)**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Transportation	\$ 40,853,870	\$ 39,393,646	\$ 37,952,697
Vehicle Maintenance	12,054,086	12,816,246	11,629,997
Facilities Maintenance	4,492,409	4,962,347	4,838,447
General & Administrative	14,076,576	13,918,876	13,429,189
Total	<u>\$ 71,476,941</u>	<u>\$ 71,091,115</u>	<u>\$ 67,850,330</u>

In accordance with NTDR guidelines, the 2004 expenses include additional costs of \$10,934 collected directly by the service provider from the Authority's customers during implementation of a new Sedan Voucher Service for disabled passengers.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2004**

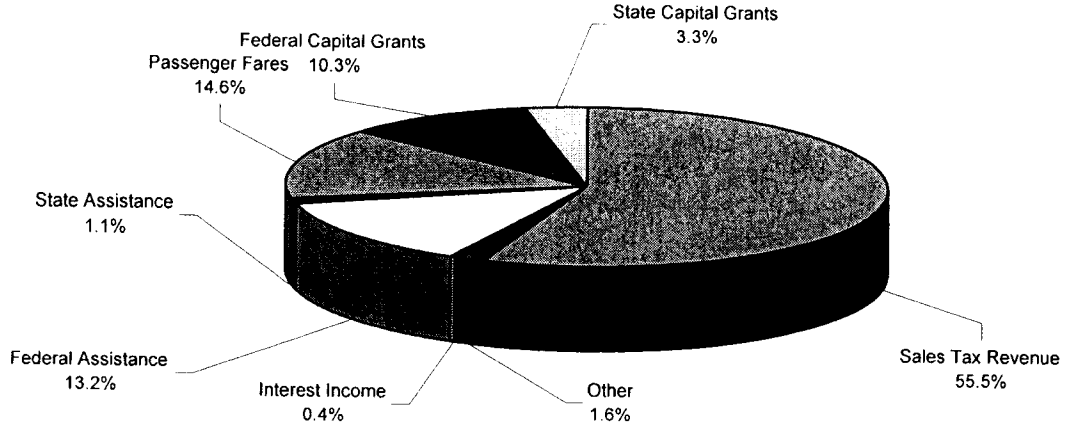
**Condensed Summary of Revenues, Expenses and Changes in Net Assets**

<u>Description</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Operating Revenues</b>			
Passenger Fare Revenues	\$ 11,420,919	\$ 12,013,121	\$ 12,772,854
Special and Charter Revenues	380,907	397,323	308,936
Other: Auxiliary Transportation Revenues	<u>514,923</u>	<u>567,328</u>	<u>729,616</u>
Total Operating Revenues	12,316,749	12,977,772	13,811,406
<b>Non-Operating Revenues</b>			
Sales Tax Revenues	44,984,894	43,773,881	41,244,787
Federal Assistance	10,687,631	10,874,105	12,400,518
State Assistance	941,703	721,556	859,901
Investment Income	293,186	423,413	899,678
Non-transportation and Other Revenues	<u>402,391</u>	<u>440,485</u>	<u>1,184,061</u>
Total Non-Operating Revenues	<u>57,309,805</u>	<u>56,233,440</u>	<u>56,588,945</u>
Total Revenue before Capital Grants	69,626,554	69,211,212	70,400,351
<b>Operating Expenses</b>			
Labor	32,052,900	32,751,632	32,589,595
Fringe Benefits	20,776,073	19,934,358	18,768,795
Materials and Supplies	6,858,978	6,655,227	5,483,476
Purchased Transportation	4,411,484	4,257,470	3,876,524
Services	3,951,600	3,808,065	3,765,390
Other Expenses	<u>3,414,972</u>	<u>3,684,363</u>	<u>3,366,550</u>
Operating Expenses before Depreciation	71,466,007	71,091,115	67,850,330
Depreciation Expense	<u>9,859,816</u>	<u>10,938,634</u>	<u>13,644,144</u>
Total Operating Expenses	<u>81,325,823</u>	<u>82,029,749</u>	<u>81,494,474</u>
Loss before Capital Grants and Special Item	<u>(11,699,269)</u>	<u>(12,818,537)</u>	<u>(11,094,123)</u>
<b>Capital Grant Revenues:</b>			
Federal	8,323,292	6,398,882	3,125,130
State	2,690,281	2,274,687	351,032
Other	<u>366,884</u>	<u>-</u>	<u>-</u>
Total Capital Grant Revenues	11,380,457	8,673,569	3,476,162
Special Item: Loss on Transfer of Assets	<u>(1,803,954)</u>	<u>-</u>	<u>-</u>
Change in Net Assets during the Year	(2,122,766)	(4,144,968)	(7,617,961)
Net Assets, Beginning of Year	<u>116,213,913</u>	<u>120,358,881</u>	<u>127,976,842</u>
Net Assets, End of Year	\$ <u>114,091,147</u>	\$ <u>116,213,913</u>	\$ <u>120,358,881</u>

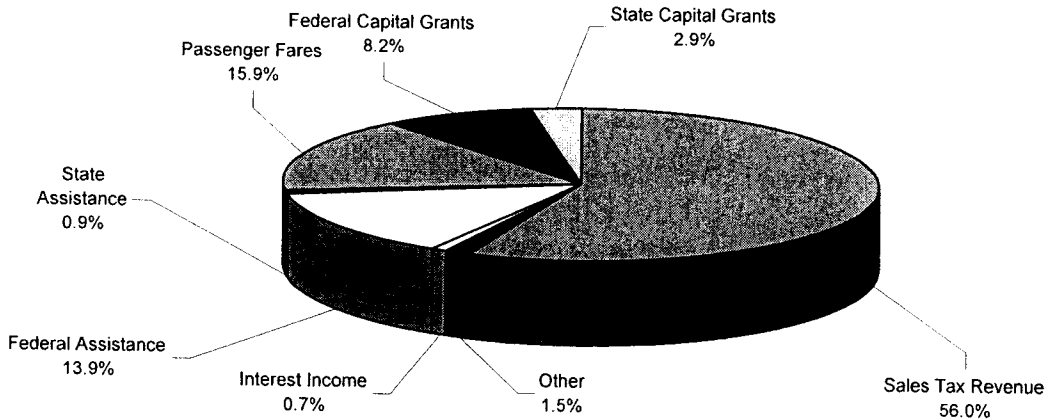
# CENTRAL OHIO TRANSIT AUTHORITY

## Revenues by Source

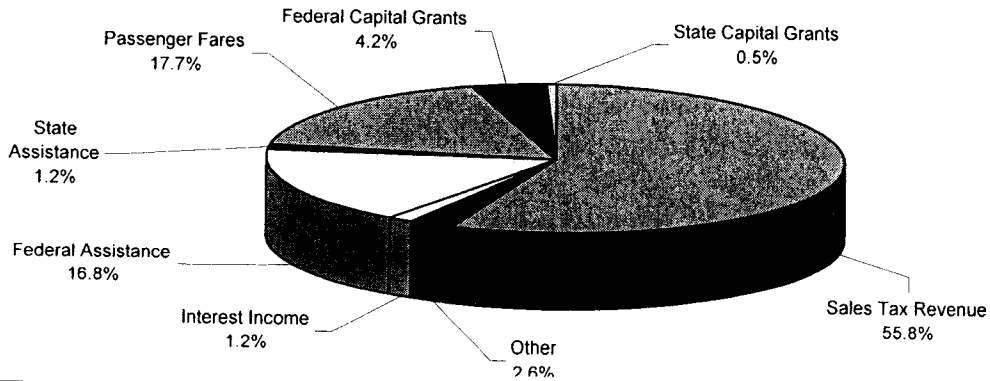
**2004 Total Revenues**  
**\$81,007,011**



**2003 Total Revenues**  
**\$77,884,781**



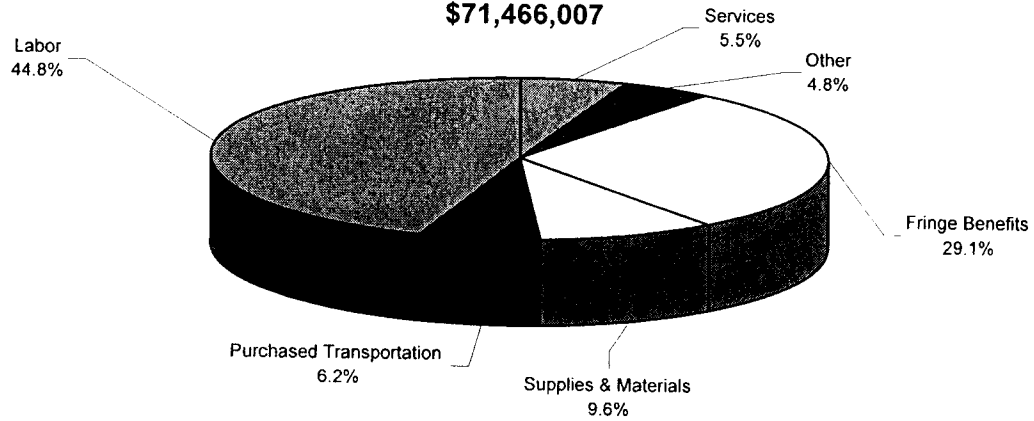
**2002 Total Revenues**  
**\$73,876,513**



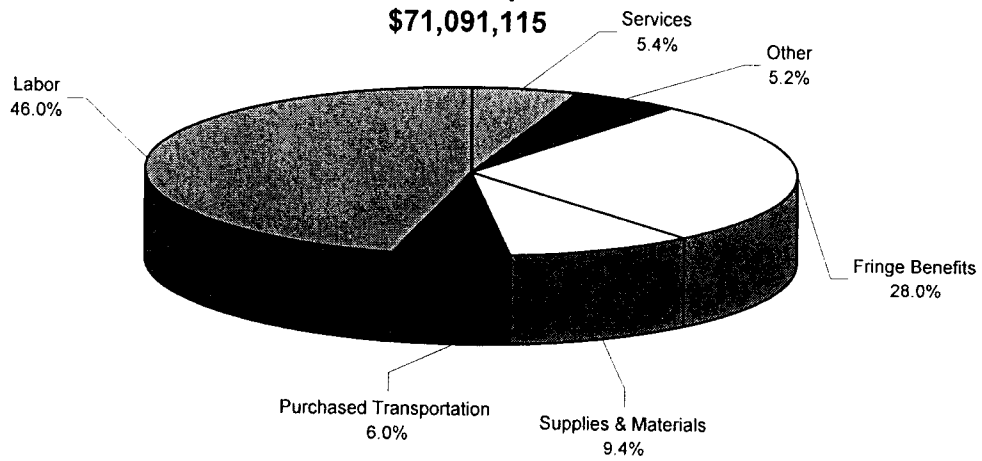
# CENTRAL OHIO TRANSIT AUTHORITY

## Expense by Object Class (Excluding Depreciation)

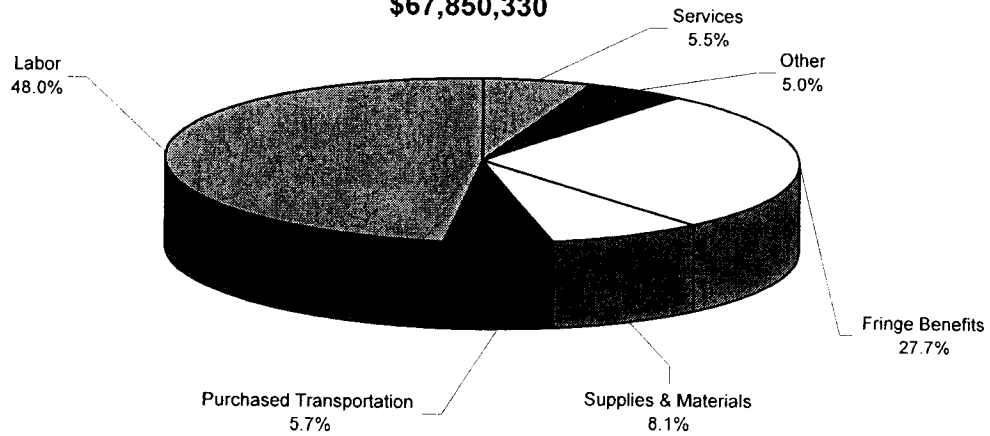
**2004 Total Expenses  
\$71,466,007**



**2003 Total Expenses  
\$71,091,115**



**2002 Total Expenses  
\$67,850,330**



# CENTRAL OHIO TRANSIT AUTHORITY

## Management's Discussion and Analysis

### Year Ended December 31, 2004

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#### 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 2004 decrease from 2003 is attributed to a reduction in bus service levels initiated in May 2004. The 2003 decrease from 2002 is attributed to reductions 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 2004 revenues is due to positive economic factors and a one-time program implemented by the State of Ohio to compel electronic fund transfer (EFT) filers to become current in filing sales tax returns. 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<sup>st</sup> 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 2004 was due to a reduction in funding for capitalized maintenance by the Federal government. 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.

**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 in Federal Capital Grants in 2004 and 2003 is attributed to increases for funding the Light-Rail project, the annunciator (automatic voice messaging system) project, the Intelligent Transportation Systems (ITS) planning and standards development project, facility improvements, and the purchase of buses and paratransit vehicles. In 2004, the increase is also attributable to reimbursement for the construction of the Easton Daycare Center.

**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 \$0.25 of the \$0.26 per gallon paid. In 2002, the ODOT eliminated general operating assistance to COTA. The increase for State Assistance in 2004 was due primarily to an increase in the elderly and disabled passenger fare assistance. The decrease for State Assistance in 2003 was due to the reduction of elderly and disabled passenger fare assistance.

# CENTRAL OHIO TRANSIT AUTHORITY

## Management's Discussion and Analysis

### Year Ended December 31, 2004

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**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 in State Capital Grants in 2004 and 2003 was for funding the Light-Rail project, the Front Street Bridge portion of the Downtown Multimodal Transportation Terminal (MMTT) project, the annunciator project, and the purchase of buses and paratransit vehicles. In 2004, the increase is also attributable to reimbursement for the construction of the Easton Daycare Center.

**Investment Income** is earned on invested funds. During 2004 and 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 both in 2004 and 2003 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 for 2004 of 2% and 3% in 2003 were offset by increases in the employee attrition rate.

**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 2004, a "pickup" was contributed with the range from 5.5% to 4.0% dependent upon the collective bargaining unit for represented employees and 5.5% for administrative employees. The increase in fringe benefits in 2004 is due to rising medical insurance costs, increased OPERS "pickup" contribution, and increased workers compensation expense. 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** include the Authority's diesel fuel expense and parts used in the maintenance of buses and facilities. The primary factor for the increase is a 28.8% increase in the average price per gallon of diesel fuel in 2004 despite the reduction in fuel consumption of over 134,000 gallons due to reduced bus service hours. The 2003 increase was driven by a 20% increase in the average price per gallon of diesel fuel despite the reduction in fuel consumption of over 56,000 gallons due to reduced bus service hours.



# CENTRAL OHIO TRANSIT AUTHORITY

## Management's Discussion and Analysis

### Year Ended December 31, 2004

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**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 2004 increase was driven by a 6.2% billing rate increase that became effective August 1, 2004 which offset a 1.9% decrease in the number of revenue hours provided. The 2003 increase was driven by an 8.7% increase in the number of revenue hours provided, and a 4% billing rate increase.

**Services** are provided by outside contractors to the Authority for a wide variety of professional, technical, consulting and maintenance needs. The slight increase for 2004 is due to increased legal activity. 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 \$0.24 per gallon until July 2004, and at the rate of \$0.26 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 slightly in 2004 due to cost-reducing measures implemented relating to the use of copying machines. Claims and insurance expense decreased due to reduced self-insurance claims for property damage. Lease and rental expense 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. In 2003, claims and insurance expense increased due to rate increases in insurance premiums.

#### **Analysis of 2004 Financial Results**

In 2003, COTA management initiated an analysis of overall operations with the purpose of ending the deterioration of the Authority's Net Assets. An outside consulting firm presented a report to the Authority's Board of Trustees detailing improvement opportunities in COTA's organizational structure and operational methodology. These opportunities were determined by examining organizational achievements against stated objectives and by benchmarking the Authority's financial and operational information in comparison with other public transit authorities. In the initial phase of implementing the recommendations of the consulting firm, several staffing positions were eliminated or left vacant in the administrative departments of the Authority. By the end of 2004, the administrative staff had been reduced by ten full-time and four part-time employees and the union-represented staff had been reduced by twenty-one employees. This resulted in a 2.1% reduction in labor expense in 2004, and almost offset the 4.2% increase in fringe benefits caused by rising health care costs and increased workers' compensation expense. At the end of 2004 the Authority began negotiations on a new collective bargaining agreement with the Authority's union-represented employees.

# **CENTRAL OHIO TRANSIT AUTHORITY**

## **Management's Discussion and Analysis**

### **Year Ended December 31, 2004**

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After receiving community input, the Authority implemented a 5.4% service level reduction affecting bus operations in May 2004. The primary effect of this service level reduction was to discontinue six routes in their entirety, and either decrease service frequency or reduce the route length on eight other routes, with a projected annual cost savings of approximately \$2,315,000.

The Authority had previously received a "recommended" rating from the Federal Transit Administration (FTA) for the North Corridor Light Rail Project (NCLRT), a proposed thirteen mile long light rail line stretching from downtown Columbus to its far north side that also included fourteen rail stations, construction of a rail maintenance and storage facility, and the procurement of eighteen light rail vehicles. To retain the "recommended" status for the NCLRT for 2004, the Authority had to secure local funding by means of the passage of a tax levy to finance the Authority's portion of the project. Given the troubled economic climate of central Ohio at the beginning of 2004, the probability of the voters in the COTA taxing district approving a 0.25% sales tax increase to fund the NCLRT was not likely and a decision was made not to place the issue before the voters. In December 2004, the Authority notified the FTA and withdrew the NCLRT from the Preliminary Engineering phase in order to avoid a "not recommended" rating. This decision will allow the Authority to re-apply for a rating to the FTA once local funding is secured. The Authority is committed to advancing the NCLRT through the completion of the Draft Environmental Impact Statement scheduled for completion in 2006. The Downtown Multimodal Transportation Terminal (MMTT), an 115,000 square foot terminal that would serve light rail, intercity passenger rail, and bus passengers, was placed on hold until the Authority obtains a local funding source to support the NCLRT and MMTT projects.

The 2004 Statement of Revenues, Expenses and Changes in Net Assets includes a Special Item for the loss on transfer of assets. The loss of \$1,803,954 resulted from the transfer of the federal interest for thirteen Advanced Bus Industries (ABI) buses to other transit systems that are eligible to receive FTA funding. The ABI buses are a thirty-foot low-floor diesel-powered bus with a passenger capacity of 23. Several factors led to the decision to transfer these buses including the high maintenance costs and other challenges experienced by the Authority and its passengers. The buses were transferred to transit systems in California and South Dakota. The Authority plans to dispose of twenty-five more ABI buses in its fleet during 2005 as new buses are purchased. Additional information on this Special Item may be found on Note 10 in the Notes to the Financial Statements located on page 31.

Overall, the Authority's decrease in net assets in 2004 represents a 49% reduction in the deterioration of the Authority's financial position compared to 2003 and a 72% reduction since 2002. The Authority's decrease in net assets in 2003 represents a 46% reduction in the deterioration of the Authority's financial position compared to 2002. The management of COTA continues to examine its operations and implement improvements to end the deterioration of the Authority's net assets.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Balance Sheets**  
**December 31, 2004 and 2003**

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	\$ 6,923,843	\$ 14,375,245
Receivables:		
Sales tax.....	11,909,869	11,670,644
Federal operating assistance.....	4,265,558	6,523
Other.....	1,098,062	715,818
Inventory of materials and supplies.....	1,936,862	2,158,249
Other.....	392,823	319,886
Total.....	<u>26,527,017</u>	<u>29,246,365</u>
Board designated:		
Cash and cash equivalents - capital.....	2,291,141	2,728,256
Cash and cash equivalents - self insurance.....	430,663	365,633
Accrued interest receivable - self insurance.....	-	96,549
Total.....	<u>2,721,804</u>	<u>3,190,438</u>
Restricted for capital grants:		
Federal capital grants receivable.....	439,465	150,787
State capital grants receivable.....	96,645	286,359
Total.....	<u>536,110</u>	<u>437,146</u>
Total current assets.....	<u>29,784,931</u>	<u>32,873,949</u>
<b>NON-CURRENT ASSETS:</b>		
Board designated:		
Cash and cash equivalents - self insurance.....	9,934,762	2,673,965
Investments - self-insurance.....	1,983,498	9,050,191
Total.....	<u>11,918,260</u>	<u>11,724,156</u>
Property and equipment		
Cost .....	171,308,856	167,683,832
Less accumulated depreciation.....	(88,701,373)	(85,377,675)
Total.....	<u>82,607,483</u>	<u>82,306,157</u>
Total non-current assets.....	<u>94,525,743</u>	<u>94,030,313</u>
TOTAL ASSETS.....	<u>\$ 124,310,674</u>	<u>\$ 126,904,262</u>

See notes to financial statements.

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Balance Sheets (continued)**  
**December 31, 2004 and 2003**

<u>LIABILITIES AND NET ASSETS</u>	<u>2004</u>	<u>2003</u>
<b>CURRENT LIABILITIES:</b>		
Accrued payroll and fringe benefits..... \$	5,592,120	\$ 5,637,943
Accounts payable.....	2,705,029	2,550,430
Accrued payroll taxes.....	649,868	590,201
Estimated workers compensation claims.....	141,519	154,107
Estimated claims payable .....	289,144	211,526
Other current liabilities.....	458,288	465,542
Total current liabilities.....	9,835,968	9,609,749
<b>NON-CURRENT LIABILITIES:</b>		
Accrued fringe benefits.....	199,910	870,080
Estimated workers compensation claims.....	96,399	80,133
Estimated claims payable .....	87,250	130,387
Total non-current liabilities.....	383,559	1,080,600
TOTAL LIABILITIES.....	10,219,527	10,690,349
<b>NET ASSETS:</b>		
Invested in capital assets.....	82,607,483	82,306,157
Restricted for capital assets.....	536,110	437,146
Unrestricted.....	30,947,554	33,470,610
TOTAL NET ASSETS.....	114,091,147	116,213,913
TOTAL LIABILITIES AND NET ASSETS..... \$	124,310,674	\$ 126,904,262

See notes to financial statements.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES:</b>		
Passenger fares for transit service.....	\$ 11,420,919	\$ 12,013,121
Special transit fares.....	347,367	373,988
Charter service revenue.....	33,540	23,335
Auxiliary transportation revenue.....	514,923	567,328
Total.....	<u>12,316,749</u>	<u>12,977,772</u>
<b>OPERATING EXPENSES OTHER THAN DEPRECIATION:</b>		
Labor.....	32,052,900	32,751,632
Fringe benefits.....	20,776,073	19,934,358
Materials and supplies.....	6,858,978	6,655,227
Purchased transportation.....	4,411,484	4,257,470
Services.....	3,951,600	3,808,065
Utilities.....	1,307,472	1,336,767
Taxes.....	691,837	653,936
Leases and rentals .....	516,590	523,201
Claims and insurance, net of settlements.....	274,749	389,654
Advertising.....	209,062	323,209
Miscellaneous.....	415,262	457,596
Total.....	<u>71,466,007</u>	<u>71,091,115</u>
<b>DEPRECIATION</b>	9,859,816	10,938,634
Total operating expenses.....	<u>81,325,823</u>	<u>82,029,749</u>
<b>OPERATING LOSS</b> .....	<u>(69,009,074)</u>	<u>(69,051,977)</u>
<b>NON-OPERATING REVENUES:</b>		
Sales tax revenues.....	44,984,894	43,773,881
Federal operating grants and reimbursements .....	10,687,631	10,874,105
State operating grants, reimbursements and special fare assistance .....	941,703	721,556
Investment income.....	293,186	423,413
Nontransportation and other revenue.....	402,391	440,485
Total.....	<u>57,309,805</u>	<u>56,233,440</u>
Loss before capital grants & special item.....	<u>(11,699,269)</u>	<u>(12,818,537)</u>
<b>CAPITAL GRANT REVENUES:</b>		
Federal .....	8,323,292	6,398,882
State .....	2,690,281	2,274,687
Other .....	366,884	-
Total .....	<u>11,380,457</u>	<u>8,673,569</u>
<b>SPECIAL ITEM</b>		
Loss on transfer of assets.....	<u>(1,803,954)</u>	<u>-</u>
Total	<u>(1,803,954)</u>	<u>-</u>
<b>CHANGES IN NET ASSETS</b>	(2,122,766)	(4,144,968)
<b>NET ASSETS, BEGINNING OF YEAR</b> .....	<u>116,213,913</u>	<u>120,358,881</u>
<b>NET ASSETS, END OF YEAR</b> .....	<u>\$ 114,091,147</u>	<u>\$ 116,213,913</u>

See notes to financial statements.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Statements of Cash Flows**  
**Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers.....	\$ 11,801,826	\$ 12,410,444
Cash payments to suppliers for goods and services.....	(17,235,008)	(18,217,250)
Cash payments to employees for services.....	(32,260,165)	(33,068,988)
Cash payments for employee benefits.....	(21,284,801)	(19,803,241)
Cash payments for casualty and liability.....	(621,482)	(640,301)
Other receipts.....	535,070	1,125,914
Net cash used in operating activities.....	<u>(59,064,560)</u>	<u>(58,193,422)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Sales taxes received.....	44,745,669	42,575,129
Federal operating assistance received.....	6,428,596	11,382,109
State operating and other assistance received.....	941,703	721,556
Net cash provided by non-capital financing activities.....	<u>52,115,968</u>	<u>54,678,794</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Federal capital grants received.....	8,034,614	6,381,278
State capital grants received.....	2,879,995	2,004,433
Acquisition and construction of fixed assets.....	(11,985,135)	(10,520,618)
Net cash used in capital and related financing activities.....	<u>(1,070,526)</u>	<u>(2,134,907)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received from investments.....	389,735	454,586
Purchases of investments.....	(1,964,924)	-
Sales of investments.....	9,031,617	2,183,124
Net cash provided by investing activities.....	<u>7,456,428</u>	<u>2,637,710</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	(562,690)	(3,011,825)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	<u>20,143,099</u>	<u>23,154,924</u>
CASH AND CASH EQUIVALENTS, END OF YEAR.....	<u>\$ 19,580,409</u>	<u>\$ 20,143,099</u>

See notes to financial statements.

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Statements of Cash Flows (continued)**  
**Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss.....	\$ (69,009,074)	\$ (69,051,977)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation.....	9,859,816	10,938,634
Inventory obsolescence reserve.....	(450,118)	500,000
Other receipts.....	402,391	517,925
Change in assets and liabilities:		
Decrease (increase) in other receivables.....	(382,244)	118,101
Decrease (increase) in materials and supplies inventory.....	671,505	(146,605)
Decrease (increase) in other assets.....	(72,937)	(16,305)
Increase (decrease) in accounts payable, accrued compensation, self-insurance liabilities and other.....	(83,899)	(1,053,195)
Net cash used in operating activities.....	<u>\$ (59,064,560)</u>	<u>\$ (58,193,422)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY:		
Property purchases in accounts payable	<u>\$ 412,004</u>	<u>\$ 798,929</u>
Land for Near East Transit Center donated by Columbus Compact Corporation	<u>\$ 366,884</u>	<u>\$ -</u>

See notes to financial statements.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(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 2004 and 2003.

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* and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14. 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

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(continued)



**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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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.

**(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. The Authority has elected not to follow subsequent private-sector guidance as it relates to its operations.

**(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.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(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 cost using the weighted average method. Inventory generally consists of maintenance parts and supplies for transportation equipment and inventory items are expensed when consumed.

**(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.

**(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. The Authority has no debt related to capital assets at December 31, 2004 and 2003.

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".

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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*(i) Classifications of Revenues*

The Authority has classified its revenues as operating, non-operating or capital grant. 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 assistance grants and contracts. Capital grant revenue includes federal, state, or other reimbursement or donation for the acquisition of property and equipment.

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 grant revenues when the related capital expenditures are incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grant receivables and credited to non-operating revenues in the period operating expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred.

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

*(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. An asset is capitalized if its value exceeds \$2,000 and it has an economic life of greater than one year. The asset capitalization level for projects funded by grants is the full cost of the assets acquired regardless of the cost. The capitalization cost of a physical asset is defined to be the full cost of placing the asset into productive service.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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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, 2003	\$3,875,165	\$870,080
Vacation & Sick Liability Earned	3,853,764	-
Vacation & Sick Liability Paid	(3,692,322)	(670,170)
Compensated Absences Liability December 31, 2004	<u>\$4,036,607</u>	<u>\$199,910</u>

**(m) Passenger Fares**

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

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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***(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 2004 will be recognized as revenue in 2004. 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***

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.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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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.

**(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, 2004.

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 2004 and 2003, the Authority complied with the provisions of these statutes.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(a) Deposits With Financial Institutions**

At December 31, 2004, the carrying amount of the Authority's deposits with financial institutions was \$2,989,392 and the bank balance was \$3,965,738. The difference results mainly from outstanding checks. In addition, the Authority had \$5,220 of cash on hand. The amount of \$100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the GASB) and \$3,865,738 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, 2004. 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, 2004 the Authority held equity of \$16,585,797 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, 2004:

Description	1	Category 2	3	Reported/ Fair Value
U.S. Treasury notes and federal agency obligations	\$ -	\$ -	\$1,983,498	\$ 1,983,498
Equity in the state treasurer's investment pool (Star Ohio)				<u>16,585,797</u>
Total investments				<u>\$18,569,295</u>

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

**(4) Capital Assets**

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

	Balance January 1, 2004	Additions	Transfers/ Disposals	Balance December 31, 2004
Capital Assets Not Being Depreciated:				
Land	\$5,140,463	\$ 399,653	\$ ---	\$ 5,540,116
Construction in progress	9,696,978	9,310,362	---	19,007,340
Total Capital Assets Not Being Depreciated	14,837,441	9,710,015	---	24,547,456
Capital Assets Being Depreciated:				
Land and leasehold improvements	8,945,518	---	---	8,945,518
Building and improvements	38,658,698	16,900	---	38,675,598
Revenue vehicles	74,763,684	2,153,684	(8,188,489)	68,728,879
Transit shelters	2,120,905	---	---	2,120,905
Other equipment	28,357,586	84,497	(151,583)	28,290,500
Total Capital Assets Being Depreciated	152,846,391	2,255,081	(8,340,072)	146,761,400
Less Accumulated Depreciation:				
Land and leasehold improvements	5,833,147	244,417	---	6,077,564
Building and improvements	15,679,754	751,063	---	16,430,817
Revenue vehicles	40,569,667	6,530,765	(6,384,535)	40,715,897
Transit shelters	1,984,991	52,617	---	2,037,608
Other equipment	21,310,116	2,280,954	(151,583)	23,439,487
Total Accumulated Depreciation	85,377,675	9,859,816	(6,536,118)	88,701,373
Total Capital Assets Being Depreciated, Net	67,468,716	(7,604,735)	(1,803,954)	58,060,027
Total Capital Assets, Net	<u>\$ 82,306,157</u>	<u>\$ 2,105,280</u>	<u>\$ (1,803,954)</u>	<u>\$ 82,607,483</u>

For discussion of the \$1,803,954 transfer of revenue vehicles, see Note 10, Special Item.

**(5) Leases**

COTA leases certain property and office equipment under operating leases. Rental expense for all operating leases was approximately \$709,000 in 2004 and \$713,000 in 2003. No lease commitments exist after 2007. 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, 2004:

	<b>Commitments under Operating Leases</b>
2005	\$ 445,902
2006	287,299
2007	166,194
Total minimum lease payments	<u>\$ 899,395</u>

(continued)



**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(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, 2004 and 2003, consist of the following:

	<b>2004</b>	<b>2003</b>
<b>Federal:</b>		
FTA Operating Assistance	\$ 10,687,631	\$ 10,874,105
FTA Capital Assistance	8,323,292	6,398,882
Total	\$ 19,010,923	\$ 17,272,987
<b>State:</b>		
ODOT Elderly and Disabled Fare Assistance	\$ 357,062	\$ 153,597
ODOT Fuel Tax Reimbursement	584,641	567,959
ODOT Capital Assistance	2,690,281	2,274,687
Total	\$ 3,631,984	\$ 2,996,243
<b>Other:</b>		
Land donated for Near East Transit Center	\$ 366,884	\$ ---
Total	\$ 366,884	\$ ---

**(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. The Authority purchases commercial insurance for employee bonding, fire, property, crime, travel and general liability.

COTA is self-insured for all public liability, personal injury and property damage claims. The estimated liability for such claims of \$376,394 at December 31, 2004, and \$341,913 at December 31, 2003, are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 2004, and 2003, \$12,348,923 and \$12,186,338, 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.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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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 \$237,918 at December 31, 2004, 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, 2004 and 2003 follows:

	<b>General Liability</b>	<b>Workers' Compensation</b>
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
Incurred claims, net of favorable settlements	141,968	517,673
Claims paid	(107,487)	(513,995)
Claims liability at December 31, 2004	\$ 376,394	\$ 237,918

**(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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling 1-614-222-6701 or 1-800-222-PERS (7377).

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(b) Funding Policy**

The ORC provides statutory authority for member and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and COTA is required to contribute an actuarially determined rate. The 2004 and 2003 employer contribution rate for local government employer units was 13.55% of annual covered payroll. The Authority's contributions to OPERS for the years ending December 31, 2004, 2003, and 2002 were approximately \$5,020,000, \$5,134,000, and \$5,019,000, 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 health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the 2004 rate was 13.55% of covered payroll; and 4.00% was the portion that was used to fund health care for the year. COTA's contributions actually made to fund post-employment benefits totaled \$1,482,000 in 2004 and \$1,894,000 in 2003.

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 OPERS' latest Actuarial Review performed as of December 31, 2003.

*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.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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*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 2003 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 at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% annually (the projected wage inflation rate).

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants at December 31, 2004, was 369,885. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 was \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

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

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

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(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, 2004, 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, 2004, 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 useful life (as determined by the FTA). If this provision is not met, the granter must refund FTA's un-depreciated basis in assets disposed.

**(10) Special Item**

In 2001, the Authority purchased 38 low-floor 30-foot diesel powered buses from Advanced Bus Industries (ABI). In the Fall of 2001, ABI filed for bankruptcy and the company's assets were liquidated. During the next three years, COTA experienced a multitude of equipment failures on the ABI buses including chassis structure cracks, passenger door controller problems, engine compartment seal defects, and premature brake wear. In 2003, the ABI buses were the costliest in the fleet to operate at \$0.55 per mile. Service calls on ABI buses amounted to 23% of all fleet breakdowns. In October 2004, the Authority received permission from the FTA to transfer the remaining Federal interest in 13 of the ABI buses to other FTA grant recipient transit systems and the COTA Board of Trustees authorized the transfer of the Federal interest and title. The transfer of the ABI buses resulted in a \$1,803,954 loss of the remaining net book value of the buses. Future transfers of the remaining ABI fleet are planned in an effort to reduce maintenance costs and equipment failures. The Authority purchased new replacement buses in 2004 and 2005 with lower operating and maintenance costs.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(11) Construction Commitments**

The Authority has active construction projects as of December 31, 2004. The projects include completion of the Draft Environmental Impact Statement (DEIS) for the North Corridor Light Rail Project and the completion of two transit center facilities. At year-end COTA's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
North Corridor Light Rail	\$9,092,963	\$1,178,684
Easton Daycare Center	1,120,016	521,476
Near East Transit Center	152,985	1,812,761
Total	\$10,365,964	\$3,512,921

In the current Preliminary Engineering stage of the North Corridor Light Rail project, the FTA contributes 54% toward the environmental expenses necessary to complete the DEIS, also known as Transportation Review Advisory Council (TRAC) eligible expenses. The State of Ohio contributes 45% of TRAC eligible expenses, and in the current phase, the Authority funds 1% of the expenses. During the DEIS preparation, 100% of non-TRAC eligible expenses are reimbursed by Federal funds.

The Easton Daycare Center is an integral part of the existing Easton Transit Center and will be completed in 2005. The Easton Daycare Center is funded 80% by Federal funds, 10% by the State of Ohio, and 10% by Authority funds.

The Near East Transit Center is being constructed in the heart of the Columbus Empowerment Zone (an economically disadvantaged area with high unemployment) and is scheduled for completion in 2005. The Near East Transit Center is funded 80% by Federal funds, 20% by the State of Ohio, and less than 1% by Authority funds.

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

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

We have audited the financial statements of Central Ohio Transit Authority (the "Authority") as of and for the year ended December 31, 2004, and have issued our report thereon dated April 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

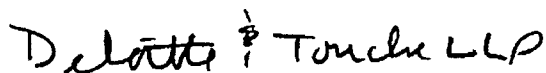
### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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 Authority's internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Authority in a separate letter dated April 8, 2005.

### **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2004-1. In addition, we noted certain immaterial instances of noncompliance that we have reported to the management of the Authority, in a separate letter dated April 8, 2005.

This report is intended solely for the information and use of the Board of Trustees and management of the Authority, the Auditor of State of Ohio, 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.



April 8, 2005

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

Board of Trustees  
Central Ohio Transit Authority and  
Betty Montgomery, Auditor of 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 program for the year ended December 31, 2004. The Authority's major federal program is identified in 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, 2004.

### 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 Authority's internal control over compliance would not necessarily disclose all matters in the 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 the 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 Authority's internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees and management of the Authority, the Auditor of State of Ohio, 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 8, 2005

# CENTRAL OHIO TRANSIT AUTHORITY

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2004

Grantor/Title:	CFDA #	Grant #	Total Grants Recognized
<b>Federal Transit Cluster</b>			
U. S. Department of Transportation—			
Federal Transit Administration (FTA):			
Direct Urbanized Area Formula Program			
and Capital Grants—			
	20.500	OH-03-0149	\$ 9,893
	20.500	OH-03-0201	115,863
	20.500	OH-03-0202	177,548
	20.500	OH-03-0213	39,303
	20.500	OH-03-0229	336,451
	20.500	OH-03-0255	33,964
	20.507	OH-90-X293	18,008
	20.507	OH-90-X304	4,048
	20.507	OH-90-X366	484,029
	20.507	OH-90-X375	7,062
	20.507	OH-90-X382	424,243
	20.507	OH-90-X402	885,090
	20.507	OH-90-X403	118,364
	20.507	OH-90-X411	4,711,203
	20.507	OH-90-X449	10,206,797
Indirect Capital Grants Passed Through Ohio			
Department of Transportation—	20.500	OH-03-0158	10,068
	20.500	OH-03-0175	<u>851,170</u>
Total Federal Transit Cluster			<u>18,433,104</u>
<b>Federal Transit Administration—Direct Award</b>			
	20.205	OH-26-7004	96,794
	20.205	OH-40-X003	191
	20.516	OH-37-X012	24,675
	20.516	OH-37-X107	<u>456,159</u>
Total Federal Transit Administration			<u>577,819</u>
Total Federal Financial Assistance			<u>\$19,010,923</u>

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, 2004**

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### **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 modified cash 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, 2004

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### Part I—Summary of Auditors' Results

#### *Financial Statements*

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

#### *Federal Awards*

Internal control over major programs: Material weakness(es) identified?	_____	Yes	<u>  X  </u> No
Reportable condition(s) identified not considered to be material weaknesses?	_____	Yes	<u>  X  </u> 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	<u>  X  </u> 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	\$570,328
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes      _____ No

# CENTRAL OHIO TRANSIT AUTHORITY

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2004 (Concluded)

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### Part II—Financial Statements Findings

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

#### 2004-1 Ohio Ethic Violations

**Criteria:** Management must comply with the Ohio Revised Code restrictions regarding conflicts of interest and public contracts.

**Condition:** The employment agreement that the former Central Ohio Transit Authority (“COTA”) General Manager entered into with a COTA board member violated restrictions against conflicts of interest and public contracts.

**Cause:** Inadequate understanding of the Ohio Ethics Laws related to hiring policies and procedures

**Effect:** Violation of Ohio Revised Code Sections 102.03(D), 102.03(E), and 2921.42.

**Management Response:** Management addressed all corrective action requirements set forth by the Ohio Ethics Commission as a result of this violation in the time period specified.

### Part III—Federal Award Findings and Questioned Costs

No matters are reportable.

# ***Central Ohio Transit Authority***

*Independent Accountants' Report on  
Information Reported to the Federal Transit  
Administration for the Year Ended  
December 31, 2004*

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## INDEPENDENT ACCOUNTANTS' REPORT

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, 2004. Such procedures, which were agreed to and specified by the 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, 2004, 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 the 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, 2004, 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

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, we do not express such an opinion. 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*

May 6, 2005

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

- e. We discussed the system of internal controls with the person responsible for supervising and maintaining the NTD data. We 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. We were informed that 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. We obtained the worksheets utilized by the Authority to prepare the final data which are transcribed onto the Federal Funding Allocation Statistics Form (FFA 10). We obtained actual revenue miles calculations per the hubodometer system and passenger mile information calculated using APC data. We compared the data per driver manifests to that included on the system generated summary data. We proved the arithmetical accuracy of the summarizations.

- h. We 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. We discussed with the Authority's staff the Authority's eligibility to conduct statistical sampling for passenger mile data every third year. We noted that 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. We 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 the FTA, dated April 27, 1987. We noted no exceptions to the stated sampling procedures described in the above letter.
- k. We obtained the passenger mile sample information generated from the automatic passenger count system and, based on this information, recalculated the amount of passenger miles for the year ended December 31, 2004.
- l. We inquired as to the existence of 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 noted that stated procedures are followed. We selected a random sample of source documents used to record charter and school bus mileage and proved the arithmetical accuracy of calculations.
- m. For vehicle revenue mile data, documented the collection and recording methodology and noted that deadhead miles are systematically excluded from the computation. Vehicle revenue miles are calculated using a hybrid system of scheduling and hubodometer. We obtained the calculation of vehicle revenue mileage data for January, May and September and proved the 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. We compared operating expenses with audited financial data, after reconciling items are removed.
- u. We interviewed personnel responsible for reporting NTD data regarding the amount of purchased transportation (PT) generated fare revenues. We noted the purchased transportation fare revenues were 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. We 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. We 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. We 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. We noted that actual vehicle revenue miles did not increase or decrease by more than 10% in 2003 relative to the prior reporting period. We 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.



# 2004



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

*For fiscal year ended December 31, 2004*



*Central Ohio Transit Authority*  
Columbus, Ohio





**CENTRAL OHIO TRANSIT AUTHORITY**  
**Franklin County, Ohio**

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

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

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**INTRODUCTORY**

**SECTION**

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**Central Ohio Transit Authority***Connecting Communities*

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

June 23, 2005

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, 2004, 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, 2003. This was the fifteenth 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.

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(continued)

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## LETTER OF TRANSMITTAL

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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, 2003.

**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, 2004 and 2003, and a supplemental schedule disclosing actual revenues, expenses and changes in net assets for the fiscal year ended December 31, 2004, 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) Statements No. 14 and 39. 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.



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## LETTER OF TRANSMITTAL

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### **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. The Authority celebrated its 30<sup>th</sup> anniversary of serving the central Ohio community during 2004.

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

*The Central Ohio Transit Authority will be the transportation provider for central Ohio with safe, reliable, convenient, affordable and user-friendly transportation for every resident and visitor.*

*The Central Ohio Transit Authority is committed to excellence and will deliver superior transportation services and conduct our business courteously, safely, ethically and reliably. We will demonstrate leadership that is fiscally responsible and maintain a work environment that is safe and productive. All employees are expected to embrace and practice our values and standards to achieve the objectives of our vision.*

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

### **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 16 of this Introductory Section.

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## LETTER OF TRANSMITTAL

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### **Transportation Services – Fixed-Route Bus Service**

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 58 fixed bus routes comprised of 20 local routes (including 2 link routes), 10 cross-town routes, and 28 express routes. The span of service provided on these fixed-routes is from 4:35 a.m. to 2:39 a.m. on weekdays, 5:02 a.m. to 2:39 a.m. on Saturdays, and 6:43 a.m. to 2:06 a.m. on Sundays and holidays. Bus route schedules can be obtained from the COTA Connection located at 60 East Broad Street in downtown Columbus. An itinerary planner to help plan a customer's bus trip can be accessed at COTA's web site [www.cota.com](http://www.cota.com). Monthly, weekly and day passes to ride the buses can be purchased from the COTA Connection as well as other select retailing outlets. During 2004, bike racks were installed on all fixed-route buses to encourage cyclists to utilize the fixed-route bus service in their journeys. Additions to the fixed-route bus fleet for 2005 include plans to purchase five 40-foot buses and thirteen 35-foot buses. The Authority estimates that it will provide approximately 701,000 vehicle hours of fixed-route bus service in 2005 resulting in approximately 9,742,000 vehicle miles of operation.

The Authority also provides demand-responsive transportation with its bus fleet to the elderly through its Senior Citizens on the Town (SCOT) program. As part of its ongoing cost reduction initiatives, the Authority will be discontinuing the SCOT program in 2005.

### **Transportation Services – Paratransit Service**

Project Mainstream is a demand response shared-ride paratransit service available to individuals whose disabilities prevent them from using COTA's fixed-route bus system. Project Mainstream provides transportation when a customer's origin and destination addresses are within  $\frac{3}{4}$  of a mile of an operating fixed-route bus route. The contracted service for Project Mainstream operates during the same hours as the fixed-route bus service. Individuals wishing to use this service must complete an eligibility process and obtain an Americans with Disabilities Act (ADA) ID card. Certified customers must maintain their eligibility by re-certifying every three years. Once a customer is determined eligible, a reservation call center is available to assist in reserving and scheduling their trips. Reservations can be made one to seven days in advance. For more information or to request an application for Project Mainstream services, call (614) 275-5828 or send an e-mail to the web address [paratransit@cota.com](mailto:paratransit@cota.com). Plans for the Project Mainstream bus fleet for 2005 include purchasing twelve paratransit buses as replacements for existing vehicles. COTA estimates that it will provide 114,000 vehicle hours and 2,105,000 vehicle miles of paratransit service in 2005.

In July 2004, a Sedan Voucher Program was implemented utilizing a transportation company to provide optional services to eligible paratransit customers. Approximately 700 to 800 sedan vouchers are distributed monthly and are available on a first-come, first-serve basis.

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## LETTER OF TRANSMITTAL

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### 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 an 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 11<sup>th</sup> 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. Five express routes and two local 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. Presently one express route, one crosstown route, and one local bus route use this terminal as well as the Easton LINK circulator route that circulates through the Easton Town Center shopping center.

**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 eight express routes and one local bus route utilize 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 terminal from all floors in the City Center Mall. Presently twenty express routes and one local bus route use this terminal.

## LETTER OF TRANSMITTAL

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**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 7:00 a.m. to 6:00 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** housed the former Business Development division of COTA in a 9,659 square foot portion of an office building. Departments within the Business Development division included Planning, Scheduling, and Corporate Communications. COTA vacated the Lake Shore Drive facility in 2005 as part of its ongoing cost reduction program and moved the personnel working in Planning, Scheduling, and Corporate Communications into the 1600 McKinley Avenue facility.

**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.

## 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 1,693,906, with Franklin County's population of 1,088,971 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. Interstate Highway I-670 connects I-70 on the west side of Columbus with Port Columbus International Airport on the east side of the city. 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 that occurred in the first half of this decade, Franklin County had experienced rapid growth during the decade of the nineties. Further commercial, office and residential 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.

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## LETTER OF TRANSMITTAL

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### Population

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

<u>Year</u>	<u>Columbus</u>	<u>Franklin County</u>
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:

<u>Year</u>	<u>Average Labor Force in Franklin County</u>	<u>Average Unemployment Rate</u>		
		<u>Franklin County</u>	<u>Ohio</u>	<u>U. S.</u>
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
2004	603,900	5.4	6.1	5.5

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.

### 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

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## LETTER OF TRANSMITTAL

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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 1.8 million by the year 2010.

### **2005 PROJECTS AND FUTURE PLANS**

#### **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 2004, 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 a suburban transit center, with a smaller facility than the central city transit center and a park and ride lot. As an integral part of the Easton Transit Center, construction of a 10,000 square foot day care center at the Easton site was initiated during 2004 and completed in June 2005. The Authority currently has a signed agreement to lease the day care facility.

The Near East Transit Center is a 9,657 square foot facility currently under construction that is 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 will include Children's Hospital as a major tenant in a 4,824 square foot section of the building to provide neighborhood medical services. Two other spaces totaling 1,972 square feet are available for additional tenant occupancy. 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 was started in January of 2005 with a projected completion date by September 2005.

#### **North Corridor Light Rail Project**

The Authority remains committed to the North Corridor Light Rail Project (NCLR) through the completion of the Draft Environment Impact Statement. For additional information on the NCLR, please refer to the section titled *Analysis of 2004 Financial Results in Management's Discussion and Analysis* located on pages 30-31 of this CAFR.

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## LETTER OF TRANSMITTAL

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### **Operational Support Facilities**

COTA's facility at 1600 McKinley Avenue in 2005 will undergo the second stage of a multi-year roof replacement project, replacing 140,000 square feet of roof, replacing forty skylights and installing twenty-four gravity ventilators to increase ventilation in the maintenance and bus storage areas. At the end of the second stage of the project, 78% of the 392,400 square feet of roof will have been replaced since 2002 with the last stage scheduled for completion in 2006. Another project planned for the McKinley Avenue facility is the replacement of the air handling system in the vehicle maintenance areas.

The proposed Paratransit and Small Bus facility will be a 104,000 square foot building to be built adjacent to the McKinley Avenue facility in order to centralize COTA's operations and reduce the logistical inefficiencies for the paratransit service of Project Mainstream. The facility will house small bus maintenance and storage, paratransit buses and operations, and communications and training facilities. The savings from reducing non-revenue paratransit bus operation and the termination of the 101 Phillipi Road facility leasing costs will reduce the operating costs of Project Mainstream and allow for the expansion of the service. At this time the Authority is dependent on the passage of a tax levy in order to fund its portion of the Paratransit and Small Bus facility construction project.

### **Information Technology Projects**

The Authority, in cooperation with the Mid Ohio Regional Planning Commission (MORPC) has developed 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 continues to document current ITS projects, 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. Enhancing the experience of riding a COTA vehicle is a major component of the ITS program. Concurrent with this strategic planning initiative, the Authority continues to enhance and deploy funded ITS initiatives.

The Automatic Passenger Counter (APC) component of the ITS technology infrastructure provides the capability to count passengers getting on and off a bus along with the time of day and the location of those boardings and alightings. This raw APC data is stored in an on-board computer file. When the bus returns to the garage, the raw APC data is transferred via wireless communications to stationary servers (called base stations) at COTA's garages. A central APC application server pulls the raw APC data from the base stations on a nightly basis. The data is then correlated to COTA's routes and schedules and available for reporting. Users can choose from an array of standard APC reports or design their own using an "ad hoc" reporting tool. COTA personnel will use these reporting capabilities to generate statistical data for inclusion in the National Transit Database Report (NTDR) that is submitted to the Federal Transit

## LETTER OF TRANSMITTAL

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Administration (FTA). The APC project is currently in the final testing phase and is projected for introduction into revenue service by July 2005. After the APC is accepted into production operation, COTA's Planning Department will be able to study this data as they prepare for upcoming service changes. Historical data will be continually reviewed to make sure that service changes that have already been implemented have had the desired effect. Giving COTA planners this type of high fidelity tool provides them the capability to design routes that are based not on estimates but accurate ridership activity throughout central Ohio.

The Automated Voice Annunciator (AVA) system makes bus travel easier for all passengers, especially those with hearing and vision disabilities. Its operation is conceptually straightforward. As a bus approaches a stop on its assigned route, the AVA system uses a Global Positioning System (GPS) receiver to compute its location and then automatically announce and display the next stop name. Announcements are made using the bus' public address system that has speakers inside and outside the bus. A text message containing the next stop is displayed on a variable message sign mounted on the ceiling at the front of the bus. The vehicle's destination is announced every time the front door is opened. On April 4, 2005 COTA placed its AVA system into revenue service. This initial release was made up of 44 route patterns (out of 460) running on 224 AVA equipped buses (out of a fleet of 272 fixed-route vehicles). Subsequent releases of the remaining 416 route patterns will be placed into revenue service throughout 2005 after validation using a simulated fixed-route AVA bus. Year-end 2005 is the target completion date for all bus stops to be announced and displayed on all routes.

In 2005, COTA is planning to implement a major upgrade of its asset management business application. The current application, Mincom Information Management System (MIMS), is used for purchasing, inventory management, accounts payable and managing vehicle maintenance. MIMS is based on obsolete proprietary technology and the vendor has discontinued support for it, so COTA will be replacing MIMS with the newest version of the application that is built on the latest open standards technology. The new version is called Ellipse and is one of the leading enterprise resource planning (ERP) solutions for asset intensive industries such as transit. The new version will be Windows based and support e-procurement and e-sourcing as well as provide a web interface for users. In addition to being easier to support, Ellipse will provide additional enhanced functionality that will improve operating efficiencies and reduce costs. COTA plans to have Ellipse implemented by the end of 2005.

The 800 Mhz (megahertz) Radio System that COTA leases from Franklin County will be reconfigured due to a rebanding of the radio wave allocation system in a change mandated and funded by the Federal Communications Commission. Implementation of the project is planned for 2006.



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## LETTER OF TRANSMITTAL

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### 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.

#### 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. Additional information on the Authority's accounting policies can be found in Note 2 in the Notes to the Financial Statements located on pages 38-43.

#### 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

## **LETTER OF TRANSMITTAL**

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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. Financial statements prepared on a budgetary basis in accordance with generally accepted accounting principles have been provided on page 52 to demonstrate budgetary compliance.

### **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.

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, 2004, the maximum annual debt service charges permitted by law for new, unvoted debt issuance was \$26.0 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

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## LETTER OF TRANSMITTAL

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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 Governmental 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, 2004, investments are carried at fair value, which is 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.

### **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, 2004, were approximately \$12.3 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 \$237,918 at December 31, 2004, and is included as a liability in the accompanying balance sheet.

## LETTER OF TRANSMITTAL

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### 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, 2004. This report is included in the financial section of this CAFR.

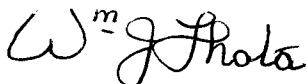
The Authority also participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, 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 participation will result in continued improvement in the Authority's financial reporting in future years.

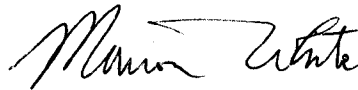
#### Acknowledgements

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.



William J. Lhota  
President / CEO



Marion White  
CFO / Vice President of Finance

# 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, 2003

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



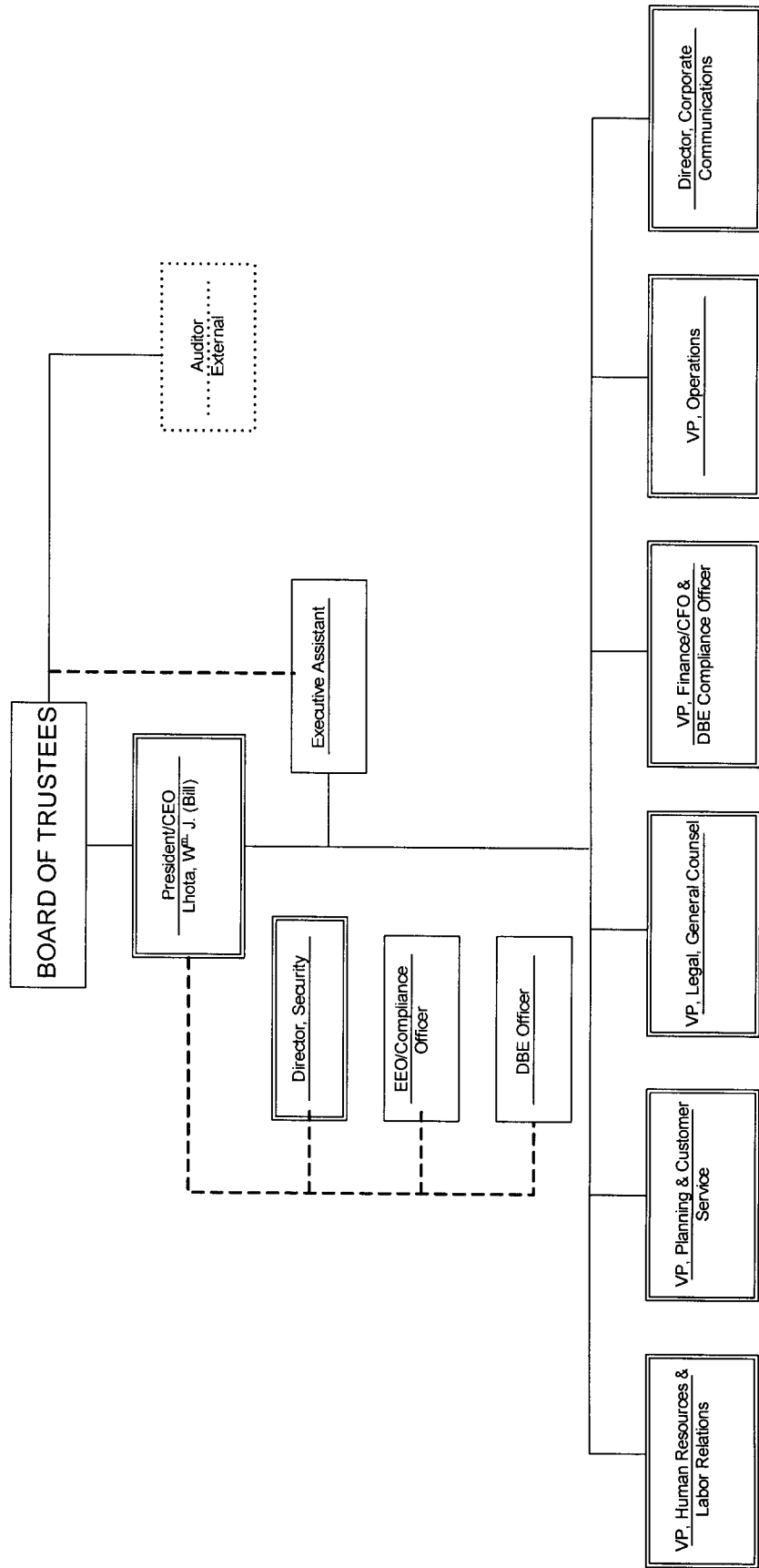
*Nancy L. Ziehl*

President

*Jeffrey R. Emen*

Executive Director

**CENTRAL OHIO TRANSIT AUTHORITY**  
**TABLE OF ORGANIZATION**  
 As of June 2005



# CENTRAL OHIO TRANSIT AUTHORITY

## Board of Trustees and Administration

### BOARD OF TRUSTEES

As of June 21, 2005

Chair	William G. Porter II <i>- representing Cities of Bexley and Whitehall</i>
Vice-Chair	Andy Geiger <i>- representing City of Columbus</i>
Trustee	Carmen Ambrosio <i>- representing Franklin County</i>
Trustee	Kate Anderson <i>- representing City of Columbus</i>
Trustee	William Anthony, Jr. <i>- representing City of Columbus</i>
Trustee	Frank J. Cipriano <i>- representing City of Columbus</i>
Trustee	Michael Heyeck <i>- representing Cities of Westerville, Worthington and Gahanna</i>
Trustee	James E. Kunk <i>- representing City of Columbus</i>
Trustee	Linda Mauger <i>- representing Cities of Upper Arlington and Grandview Heights</i>
Trustee	Harry Proctor <i>- representing Franklin County</i>
Trustee	James W. Rarey <i>- representing City of Columbus</i>
Trustee	Dan M. Reichard, Jr. <i>- representing Cities of Reynoldsburg, Hilliard and Grove City</i>
Trustee	Robert J. Weiler, Sr. <i>- representing City of Columbus</i>

### ADMINISTRATION

President / CEO	William J. Lhota
Vice President, Finance / CFO	Marion White
Vice President, Operations	Carol E. Wise
Vice President, Planning & Customer Service	Doug Moore
Vice President, Legal Affairs / General Counsel	Curtis Stitt
Vice President, Human Resources	Dianne McLinn

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**FINANCIAL**

**SECTION**

## INDEPENDENT AUDITORS' REPORT

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

We have audited the balance sheets of Central Ohio Transit Authority (the "Authority") as of December 31, 2004 and 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

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

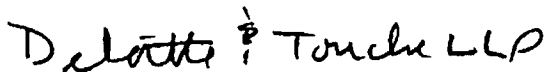
In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2004 and 2003, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United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

Management's Discussion and Analysis on pages 21-31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 on page 52 is presented for purposes of additional analysis and is not a required part of the basic 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 introductory section presented on pages 1-17 and the statistical data presented on pages 53-68 are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Authority. The introductory section and the statistical data are 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 8, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



April 8, 2005

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## 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 year ended December 31, 2004. 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 and notes to the financial statements, which follow this section and provide more specific detail.

### Overview of Financial Highlights

- The Authority has net assets of \$114.1 million. These net assets result from the difference between total assets of \$124.3 million and total liabilities of \$10.2 million.
- The Authority's net assets decreased by \$2.1 million in 2004 primarily due to reduced passenger revenue, increased health care costs, and the transfer of certain revenue vehicles to other transit systems. In 2003 the Authority's net assets decreased by \$4.1 million primarily due to reduced passenger revenue, increased health care costs and reduced federal operating assistance.
- Current assets of \$29.8 million primarily consist of non-restricted cash and cash equivalents of \$6.9 million; sales tax receivable of \$11.9 million, federal operating assistance receivable of \$4.3 million, inventory of \$1.9 million, and Board designated assets of \$2.7 million.
- Current liabilities of \$9.8 million primarily consist of accrued payroll and fringe benefits of \$5.6 million, and accounts payable of \$2.7 million.
- The Authority has no long-term debt.

### Basic Financial Statements and Presentation

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.

# **CENTRAL OHIO TRANSIT AUTHORITY**

## **Management's Discussion and Analysis**

### **Year Ended December 31, 2004**

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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 decrease when expenses exceed revenues. Decreases in assets without a corresponding decrease to liabilities results in decreased net assets, which indicate a deteriorated financial position.

The Statements of Revenues, Expenses and Changes in Net Assets on page 34 presents information showing how the Authority's net assets changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal and state governments.

The Statements of Cash Flows on page 35 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. The notes to the financial statements can be found on pages 37-51.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Central Ohio Transit Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of Chief Financial Officer  
Central Ohio Transit Authority  
1600 McKinley Ave.  
Columbus, OH 43222-1093

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2004**

**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:

<u>Description</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Assets</b>			
Current Assets	\$ 26,527,017	\$ 29,246,365	\$ 32,493,484
Board Designated Assets (current)	2,721,804	3,190,438	4,673,375
Restricted Assets (current)	536,110	437,146	149,287
Board Designated Assets (non-current)	11,918,260	11,724,156	11,984,665
Capital Assets (net of accumulated depreciation)	<u>82,607,483</u>	<u>82,306,157</u>	<u>82,073,263</u>
Total Assets	124,310,674	126,904,262	131,374,074
<b>Liabilities</b>			
Current Liabilities	9,835,968	9,609,749	9,800,813
Non-Current Liabilities	<u>383,559</u>	<u>1,080,600</u>	<u>1,214,380</u>
Total Liabilities	10,219,527	10,690,349	11,015,193
<b>Net Assets</b>			
Net Assets Invested in Capital Assets	82,607,483	82,306,157	82,073,263
Net Assets Restricted for Capital Assets	536,110	437,146	149,287
Net Assets Unrestricted	<u>30,947,554</u>	<u>33,470,610</u>	<u>38,136,331</u>
Total Net Assets	\$ <u>114,091,147</u>	\$ <u>116,213,913</u>	\$ <u>120,358,881</u>

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. The Authority's investment in capital assets as of December 31, 2004 amounts to \$82.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, revenue vehicles, transit shelters, other equipment, and construction in progress. The total increase in COTA's investment in capital assets for 2004 was \$0.3 million.

Major capital asset events during 2004 included the following:

- Sixteen replacement paratransit buses were purchased totaling \$0.7 million.
- Five replacement 40-foot buses were purchased for a total of \$1.4 million.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2004**

- Thirteen buses with a net book value of \$1.8 million were transferred to other transit systems.
- Twenty 1991 series buses with a historical cost of \$3.9 million were retired.
- Sixteen paratransit buses and three trolleys originally costing a total of \$1.5 million were also retired.
- Construction in progress includes the following projects:  
 Continued progress on planning for the North Corridor Light Rail Project amounted to \$5.1 million,  
 Construction of the Easton Daycare Facility adjacent to the Easton Transit Center accounted for \$1.1 million,  
 Multiple Intelligent Transportation Systems including the Annunciator and Automated Passenger Counter projects totaled \$1.9 million, and  
 Multimodal Transportation Terminal related projects were valued at \$0.8 million.

Additional information on the Authority's capital assets can be found in Note 4 in the Notes to the Financial Statements located on page 45.

The Authority's current assets at the end of 2004 are composed of cash and cash equivalents (32%), receivables (60%), inventory (7%), and other assets (1%) consisting predominately of prepaid expenses.

**Expenses by Functional Category**

The Statements of Revenues, Expenses and Changes in Net Assets are presented on the next page with explanations and analysis following. The Authority's expenses, excluding depreciation, can also be classified by functional category as defined by the Authority's National Transit Database Report (NTDR) and summarized in the following table:

**EXPENSES BY FUNCTION**  
**(Excluding Depreciation)**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Transportation	\$ 40,853,870	\$ 39,393,646	\$ 37,952,697
Vehicle Maintenance	12,054,086	12,816,246	11,629,997
Facilities Maintenance	4,492,409	4,962,347	4,838,447
General & Administrative	14,076,576	13,918,876	13,429,189
Total	\$ 71,476,941	\$ 71,091,115	\$ 67,850,330

In accordance with NTDR guidelines, the 2004 expenses include additional costs of \$10,934 collected directly by the service provider from the Authority's customers during implementation of a new Sedan Voucher Service for disabled passengers.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2004**

**Condensed Summary of Revenues, Expenses and Changes in Net Assets**

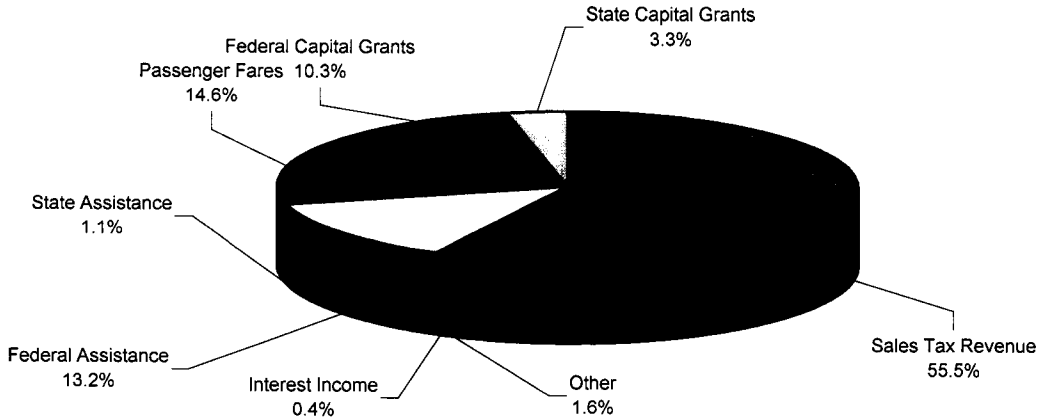
<u>Description</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Operating Revenues</b>			
Passenger Fare Revenues	\$ 11,420,919	\$ 12,013,121	\$ 12,772,854
Special and Charter Revenues	380,907	397,323	308,936
Other: Auxiliary Transportation Revenues	<u>514,923</u>	<u>567,328</u>	<u>729,616</u>
Total Operating Revenues	12,316,749	12,977,772	13,811,406
<b>Non-Operating Revenues</b>			
Sales Tax Revenues	44,984,894	43,773,881	41,244,787
Federal Assistance	10,687,631	10,874,105	12,400,518
State Assistance	941,703	721,556	859,901
Investment Income	293,186	423,413	899,678
Non-transportation and Other Revenues	<u>402,391</u>	<u>440,485</u>	<u>1,184,061</u>
Total Non-Operating Revenues	<u>57,309,805</u>	<u>56,233,440</u>	<u>56,588,945</u>
Total Revenue before Capital Grants	69,626,554	69,211,212	70,400,351
<b>Operating Expenses</b>			
Labor	32,052,900	32,751,632	32,589,595
Fringe Benefits	20,776,073	19,934,358	18,768,795
Materials and Supplies	6,858,978	6,655,227	5,483,476
Purchased Transportation	4,411,484	4,257,470	3,876,524
Services	3,951,600	3,808,065	3,765,390
Other Expenses	<u>3,414,972</u>	<u>3,684,363</u>	<u>3,366,550</u>
Operating Expenses before Depreciation	71,466,007	71,091,115	67,850,330
Depreciation Expense	<u>9,859,816</u>	<u>10,938,634</u>	<u>13,644,144</u>
Total Operating Expenses	<u>81,325,823</u>	<u>82,029,749</u>	<u>81,494,474</u>
Loss before Capital Grants and Special Item	<u>(11,699,269)</u>	<u>(12,818,537)</u>	<u>(11,094,123)</u>
Capital Grant Revenues:			
Federal	8,323,292	6,398,882	3,125,130
State	2,690,281	2,274,687	351,032
Other	<u>366,884</u>	<u>-</u>	<u>-</u>
Total Capital Grant Revenues	11,380,457	8,673,569	3,476,162
Special Item: Loss on Transfer of Assets	<u>(1,803,954)</u>	<u>-</u>	<u>-</u>
Change in Net Assets during the Year	(2,122,766)	(4,144,968)	(7,617,961)
Net Assets, Beginning of Year	<u>116,213,913</u>	<u>120,358,881</u>	<u>127,976,842</u>
Net Assets, End of Year	\$ <u>114,091,147</u>	\$ <u>116,213,913</u>	\$ <u>120,358,881</u>



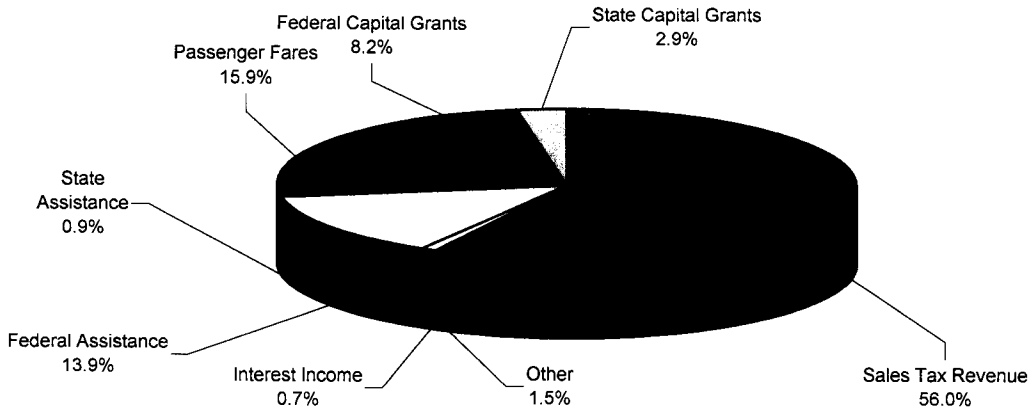
# CENTRAL OHIO TRANSIT AUTHORITY

## Revenues by Source

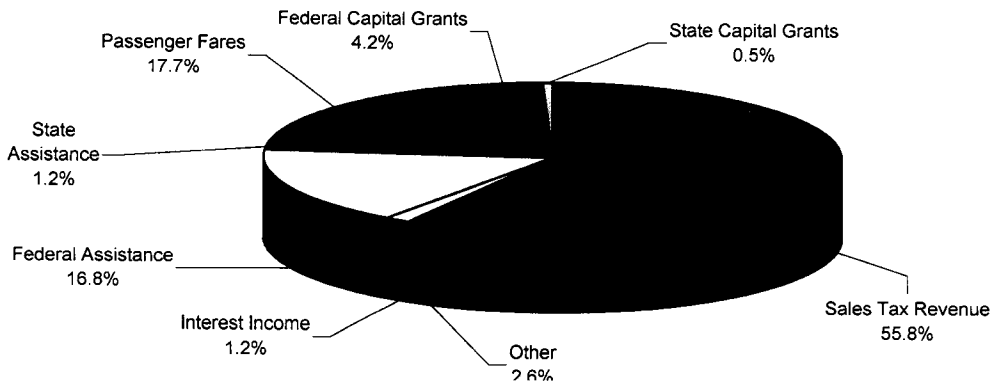
**2004 Total Revenues**  
**\$81,007,011**



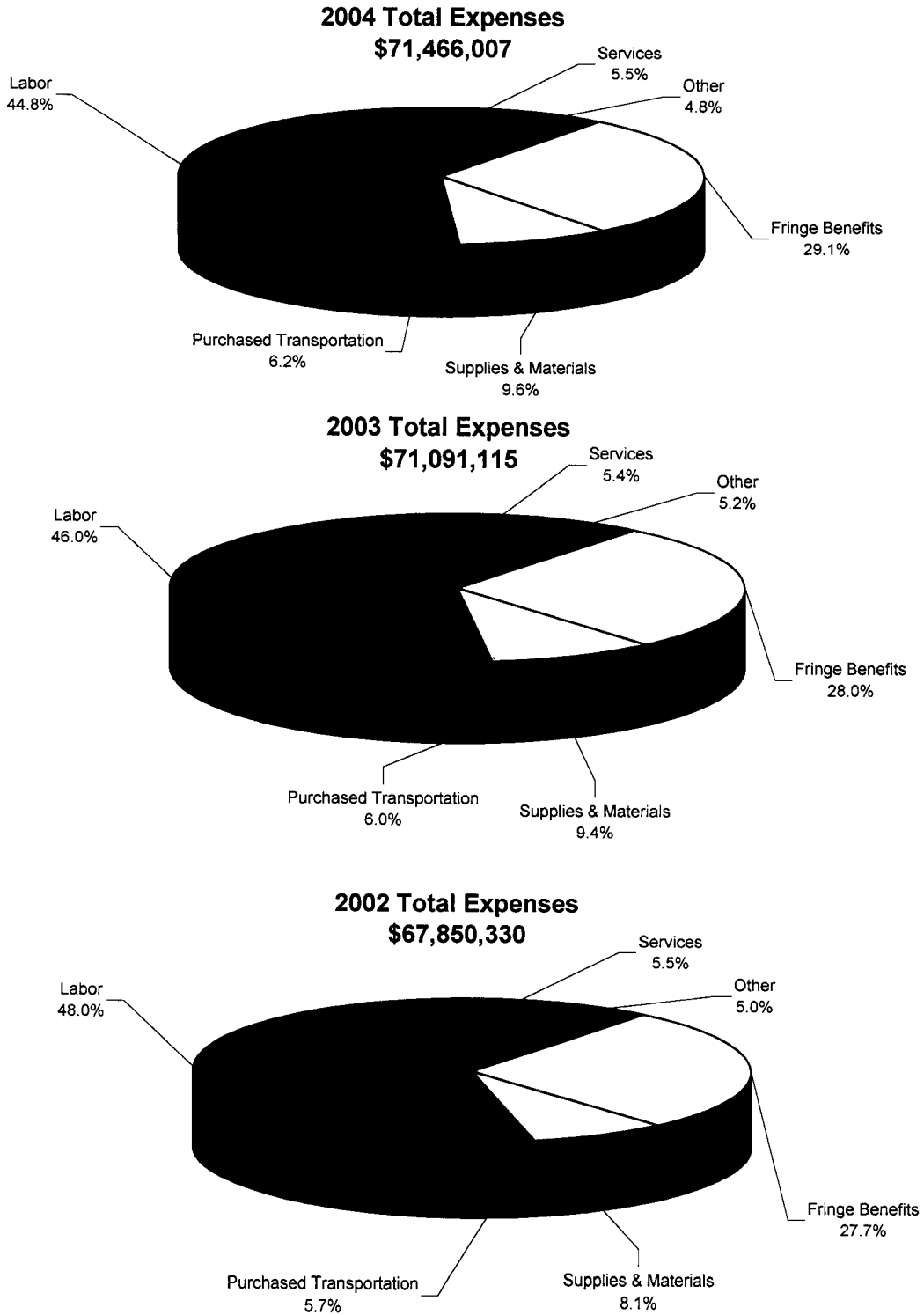
**2003 Total Revenues**  
**\$77,884,781**



**2002 Total Revenues**  
**\$73,876,513**



**CENTRAL OHIO TRANSIT AUTHORITY**  
**Expense by Object Class**  
**(Excluding Depreciation)**



# CENTRAL OHIO TRANSIT AUTHORITY

## Management's Discussion and Analysis

### Year Ended December 31, 2004

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#### 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 2004 decrease from 2003 is attributed to a reduction in bus service levels initiated in May 2004. The 2003 decrease from 2002 is attributed to reductions 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 2004 revenues is due to positive economic factors and a one-time program implemented by the State of Ohio to compel electronic fund transfer (EFT) filers to become current in filing sales tax returns. 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<sup>st</sup> 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 2004 was due to a reduction in funding for capitalized maintenance by the Federal government. 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.

**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 in Federal Capital Grants in 2004 and 2003 is attributed to increases for funding the Light-Rail project, the annunciator (automatic voice messaging system) project, the Intelligent Transportation Systems (ITS) planning and standards development project, facility improvements, and the purchase of buses and paratransit vehicles. In 2004, the increase is also attributable to reimbursement for the construction of the Easton Daycare Center.

**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 \$0.25 of the \$0.26 per gallon paid. In 2002, the ODOT eliminated general operating assistance to COTA. The increase for State Assistance in 2004 was due primarily to an increase in the elderly and disabled passenger fare assistance. The decrease for State Assistance in 2003 was due to the reduction of elderly and disabled passenger fare assistance.

# CENTRAL OHIO TRANSIT AUTHORITY

## Management's Discussion and Analysis

### Year Ended December 31, 2004

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**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 in State Capital Grants in 2004 and 2003 was for funding the Light-Rail project, the Front Street Bridge portion of the Downtown Multimodal Transportation Terminal (MMTT) project, the annunciator project, and the purchase of buses and paratransit vehicles. In 2004, the increase is also attributable to reimbursement for the construction of the Easton Daycare Center.

**Investment Income** is earned on invested funds. During 2004 and 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 both in 2004 and 2003 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 for 2004 of 2% and 3% in 2003 were offset by increases in the employee attrition rate.

**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 2004, a "pickup" was contributed with the range from 5.5% to 4.0% dependent upon the collective bargaining unit for represented employees and 5.5% for administrative employees. The increase in fringe benefits in 2004 is due to rising medical insurance costs, increased OPERS "pickup" contribution, and increased workers compensation expense. 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** include the Authority's diesel fuel expense and parts used in the maintenance of buses and facilities. The primary factor for the increase is a 28.8% increase in the average price per gallon of diesel fuel in 2004 despite the reduction in fuel consumption of over 134,000 gallons due to reduced bus service hours. The 2003 increase was driven by a 20% increase in the average price per gallon of diesel fuel despite the reduction in fuel consumption of over 56,000 gallons due to reduced bus service hours.

# CENTRAL OHIO TRANSIT AUTHORITY

## Management's Discussion and Analysis

### Year Ended December 31, 2004

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**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 2004 increase was driven by a 6.2% billing rate increase that became effective August 1, 2004 which offset a 1.9% decrease in the number of revenue hours provided. The 2003 increase was driven by an 8.7% increase in the number of revenue hours provided, and a 4% billing rate increase.

**Services** are provided by outside contractors to the Authority for a wide variety of professional, technical, consulting and maintenance needs. The slight increase for 2004 is due to increased legal activity. 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 \$0.24 per gallon until July 2004, and at the rate of \$0.26 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 slightly in 2004 due to cost-reducing measures implemented relating to the use of copying machines. Claims and insurance expense decreased due to reduced self-insurance claims for property damage. Lease and rental expense 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. In 2003, claims and insurance expense increased due to rate increases in insurance premiums.

#### **Analysis of 2004 Financial Results**

In 2003, COTA management initiated an analysis of overall operations with the purpose of ending the deterioration of the Authority's Net Assets. An outside consulting firm presented a report to the Authority's Board of Trustees detailing improvement opportunities in COTA's organizational structure and operational methodology. These opportunities were determined by examining organizational achievements against stated objectives and by benchmarking the Authority's financial and operational information in comparison with other public transit authorities. In the initial phase of implementing the recommendations of the consulting firm, several staffing positions were eliminated or left vacant in the administrative departments of the Authority. By the end of 2004, the administrative staff had been reduced by ten full-time and four part-time employees and the union-represented staff had been reduced by twenty-one employees. This resulted in a 2.1% reduction in labor expense in 2004, and almost offset the 4.2% increase in fringe benefits caused by rising health care costs and increased workers' compensation expense. At the end of 2004 the Authority began negotiations on a new collective bargaining agreement with the Authority's union-represented employees.

# CENTRAL OHIO TRANSIT AUTHORITY

## Management's Discussion and Analysis

### Year Ended December 31, 2004

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After receiving community input, the Authority implemented a 5.4% service level reduction affecting bus operations in May 2004. The primary effect of this service level reduction was to discontinue six routes in their entirety, and either decrease service frequency or reduce the route length on eight other routes, with a projected annual cost savings of approximately \$2,315,000.

The Authority had previously received a "recommended" rating from the Federal Transit Administration (FTA) for the North Corridor Light Rail Project (NCLRT), a proposed thirteen mile long light rail line stretching from downtown Columbus to its far north side that also included fourteen rail stations, construction of a rail maintenance and storage facility, and the procurement of eighteen light rail vehicles. To retain the "recommended" status for the NCLRT for 2004, the Authority had to secure local funding by means of the passage of a tax levy to finance the Authority's portion of the project. Given the troubled economic climate of central Ohio at the beginning of 2004, the probability of the voters in the COTA taxing district approving a 0.25% sales tax increase to fund the NCLRT was not likely and a decision was made not to place the issue before the voters. In December 2004, the Authority notified the FTA and withdrew the NCLRT from the Preliminary Engineering phase in order to avoid a "not recommended" rating. This decision will allow the Authority to re-apply for a rating to the FTA once local funding is secured. The Authority is committed to advancing the NCLRT through the completion of the Draft Environmental Impact Statement scheduled for completion in 2006. The Downtown Multimodal Transportation Terminal (MMTT), an 115,000 square foot terminal that would serve light rail, intercity passenger rail, and bus passengers, was placed on hold until the Authority obtains a local funding source to support the NCLRT and MMTT projects.

The 2004 Statement of Revenues, Expenses and Changes in Net Assets includes a Special Item for the loss on transfer of assets. The loss of \$1,803,954 resulted from the transfer of the federal interest for thirteen Advanced Bus Industries (ABI) buses to other transit systems that are eligible to receive FTA funding. The ABI buses are a thirty-foot low-floor diesel-powered bus with a passenger capacity of 23. Several factors led to the decision to transfer these buses including the high maintenance costs and other challenges experienced by the Authority and its passengers. The buses were transferred to transit systems in California and South Dakota. The Authority plans to dispose of twenty-five more ABI buses in its fleet during 2005 as new buses are purchased. Additional information on this Special Item may be found on Note 10 in the Notes to the Financial Statements located on page 50.

Overall, the Authority's decrease in net assets in 2004 represents a 49% reduction in the deterioration of the Authority's financial position compared to 2003 and a 72% reduction since 2002. The Authority's decrease in net assets in 2003 represents a 46% reduction in the deterioration of the Authority's financial position compared to 2002. The management of COTA continues to examine its operations and implement improvements to end the deterioration of the Authority's net assets.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Balance Sheets**  
**December 31, 2004 and 2003**

<u>ASSETS</u>	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents .....	\$ 6,923,843	\$ 14,375,245
Receivables:		
Sales tax.....	11,909,869	11,670,644
Federal operating assistance.....	4,265,558	6,523
Other.....	1,098,062	715,818
Inventory of materials and supplies.....	1,936,862	2,158,249
Other.....	392,823	319,886
Total.....	<u>26,527,017</u>	<u>29,246,365</u>
Board designated:		
Cash and cash equivalents - capital.....	2,291,141	2,728,256
Cash and cash equivalents - self insurance.....	430,663	365,633
Accrued interest receivable - self insurance.....	-	96,549
Total.....	<u>2,721,804</u>	<u>3,190,438</u>
Restricted for capital grants:		
Federal capital grants receivable.....	439,465	150,787
State capital grants receivable.....	96,645	286,359
Total.....	<u>536,110</u>	<u>437,146</u>
Total current assets.....	<u>29,784,931</u>	<u>32,873,949</u>
<b>NON-CURRENT ASSETS:</b>		
Board designated:		
Cash and cash equivalents - self insurance.....	9,934,762	2,673,965
Investments - self-insurance.....	1,983,498	9,050,191
Total.....	<u>11,918,260</u>	<u>11,724,156</u>
Property and equipment		
Cost .....	171,308,856	167,683,832
Less accumulated depreciation.....	(88,701,373)	(85,377,675)
Total.....	<u>82,607,483</u>	<u>82,306,157</u>
Total non-current assets.....	<u>94,525,743</u>	<u>94,030,313</u>
TOTAL ASSETS.....	<u>\$ 124,310,674</u>	<u>\$ 126,904,262</u>

See notes to financial statements.

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Balance Sheets (continued)**  
**December 31, 2004 and 2003**

<u>LIABILITIES AND NET ASSETS</u>	<u>2004</u>	<u>2003</u>
<b>CURRENT LIABILITIES:</b>		
Accrued payroll and fringe benefits.....	\$ 5,592,120	\$ 5,637,943
Accounts payable.....	2,705,029	2,550,430
Accrued payroll taxes.....	649,868	590,201
Estimated workers compensation claims.....	141,519	154,107
Estimated claims payable .....	289,144	211,526
Other current liabilities.....	458,288	465,542
Total current liabilities.....	9,835,968	9,609,749
 <b>NON-CURRENT LIABILITIES:</b>		
Accrued fringe benefits.....	199,910	870,080
Estimated workers compensation claims.....	96,399	80,133
Estimated claims payable .....	87,250	130,387
Total non-current liabilities.....	383,559	1,080,600
TOTAL LIABILITIES.....	10,219,527	10,690,349
 <b>NET ASSETS:</b>		
Invested in capital assets.....	82,607,483	82,306,157
Restricted for capital assets.....	536,110	437,146
Unrestricted.....	30,947,554	33,470,610
TOTAL NET ASSETS.....	114,091,147	116,213,913
TOTAL LIABILITIES AND NET ASSETS.....	\$ 124,310,674	\$ 126,904,262

See notes to financial statements.



**CENTRAL OHIO TRANSIT AUTHORITY**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>OPERATING REVENUES:</b>		
Passenger fares for transit service.....	\$ 11,420,919	\$ 12,013,121
Special transit fares.....	347,367	373,988
Charter service revenue.....	33,540	23,335
Auxiliary transportation revenue.....	514,923	567,328
Total.....	<u>12,316,749</u>	<u>12,977,772</u>
<b>OPERATING EXPENSES OTHER THAN DEPRECIATION:</b>		
Labor.....	32,052,900	32,751,632
Fringe benefits.....	20,776,073	19,934,358
Materials and supplies.....	6,858,978	6,655,227
Purchased transportation.....	4,411,484	4,257,470
Services.....	3,951,600	3,808,065
Utilities.....	1,307,472	1,336,767
Taxes.....	691,837	653,936
Leases and rentals .....	516,590	523,201
Claims and insurance, net of settlements.....	274,749	389,654
Advertising.....	209,062	323,209
Miscellaneous.....	415,262	457,596
Total.....	<u>71,466,007</u>	<u>71,091,115</u>
<b>DEPRECIATION:</b>	<u>9,859,816</u>	<u>10,938,634</u>
Total operating expenses.....	<u>81,325,823</u>	<u>82,029,749</u>
<b>OPERATING LOSS.....</b>	<u>(69,009,074)</u>	<u>(69,051,977)</u>
<b>NON-OPERATING REVENUES</b>		
Sales tax revenues.....	44,984,894	43,773,881
Federal operating grants and reimbursements .....	10,687,631	10,874,105
State operating grants, reimbursements and special fare assistance .....	941,703	721,556
Investment income.....	293,186	423,413
Nontransportation and other revenue.....	402,391	440,485
Total.....	<u>57,309,805</u>	<u>56,233,440</u>
Loss before capital grants & special item.....	<u>(11,699,269)</u>	<u>(12,818,537)</u>
<b>CAPITAL GRANT REVENUES:</b>		
Federal .....	8,323,292	6,398,882
State .....	2,690,281	2,274,687
Other .....	366,884	-
Total .....	<u>11,380,457</u>	<u>8,673,569</u>
<b>SPECIAL ITEM</b>		
Loss on transfer of assets.....	<u>(1,803,954)</u>	<u>-</u>
Total	<u>(1,803,954)</u>	<u>-</u>
<b>CHANGES IN NET ASSETS</b>	<u>(2,122,766)</u>	<u>(4,144,968)</u>
<b>NET ASSETS, BEGINNING OF YEAR.....</b>	<u>116,213,913</u>	<u>120,358,881</u>
<b>NET ASSETS, END OF YEAR.....</b>	<u>\$ 114,091,147</u>	<u>\$ 116,213,913</u>

See notes to financial statements.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Statements of Cash Flows**  
**Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from customers..... \$	11,801,826	\$ 12,410,444
Cash payments to suppliers for goods and services.....	(17,235,008)	(18,217,250)
Cash payments to employees for services.....	(32,260,165)	(33,068,988)
Cash payments for employees benefits.....	(21,284,801)	(19,803,241)
Cash payments for casualty and liability.....	(621,482)	(640,301)
Other receipts.....	535,070	1,125,914
Net cash used in operating activities.....	<u>(59,064,560)</u>	<u>(58,193,422)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>		
Sales taxes received.....	44,745,669	42,575,129
Federal operating assistance received.....	6,428,596	11,382,109
State operating and other assistance received.....	941,703	721,556
Net cash provided by non-capital financing activities.....	<u>52,115,968</u>	<u>54,678,794</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Federal capital grants received.....	8,034,614	6,381,278
State capital grants received.....	2,879,995	2,004,433
Acquisition and construction of fixed assets.....	(11,985,135)	(10,520,618)
Net cash used in capital and related financing activities.....	<u>(1,070,526)</u>	<u>(2,134,907)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest received from investments.....	389,735	454,586
Purchases of investments.....	(1,964,924)	-
Sales of investments.....	9,031,617	2,183,124
Net cash used in/provided by investing activities.....	<u>7,456,428</u>	<u>2,637,710</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS.....</b>	<b>(562,690)</b>	<b>(3,011,825)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....</b>	<b><u>20,143,099</u></b>	<b><u>23,154,924</u></b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR..... \$</b>	<b><u><u>19,580,409</u></u></b>	<b><u><u>20,143,099</u></u></b>

See notes to financial statements.

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Statements of Cash Flows (continued)**  
**Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating Loss.....	\$ (69,009,074)	\$ (69,051,977)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation.....	9,859,816	10,938,634
Inventory obsolescence reserve.....	(450,118)	500,000
Other receipts.....	402,391	517,925
Change in assets and liabilities:		
Decrease (increase) in other receivables.....	(382,244)	118,101
Decrease (increase) in materials and supplies inventory.....	671,505	(146,605)
Decrease (increase) in other assets.....	(72,937)	(16,305)
Increase (decrease) in accounts payable, accrued compensation, self-insurance liabilities and other.....	(83,899)	(1,053,195)
Net cash used in operating activities.....	<u>\$ (59,064,560)</u>	<u>\$ (58,193,422)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY:</b>		
Property purchases in accounts payable	<u>\$ 412,004</u>	<u>\$ 798,929</u>
Land for Near East Transit Center donated by Columbus Compact Corporation	<u>\$ 366,884</u>	<u>\$ -</u>

See notes to financial statements.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(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 2004 and 2003.

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* and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14. 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

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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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.

**(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. The Authority has elected not to follow subsequent private-sector guidance as it relates to its operations.

**(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.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(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 cost using the weighted average method. Inventory generally consists of maintenance parts and supplies for transportation equipment and inventory items are expensed when consumed.

**(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.

**(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. The Authority has no debt related to capital assets at December 31, 2004 and 2003.

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".

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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*(i) Classifications of Revenues*

The Authority has classified its revenues as operating, non-operating or capital grant. 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 assistance grants and contracts. Capital grant revenue includes federal, state, or other reimbursement or donation for the acquisition of property and equipment.

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 grant revenues when the related capital expenditures are incurred. Capital grants for the maintenance of property, plant and equipment are recorded as grant receivables and credited to non-operating revenues in the period operating expenditures are incurred. Capital grants received in advance of project costs being incurred are deferred.

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

*(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. An asset is capitalized if its value exceeds \$2,000 and it has an economic life of greater than one year. The asset capitalization level for projects funded by grants is the full cost of the assets acquired regardless of the cost. The capitalization cost of a physical asset is defined to be the full cost of placing the asset into productive service.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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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, 2003	\$3,875,165	\$870,080
Vacation & Sick Liability Earned	3,853,764	-
Vacation & Sick Liability Paid	<u>(3,692,322)</u>	<u>(670,170)</u>
Compensated Absences Liability December 31, 2004	<u>\$4,036,607</u>	<u>\$199,910</u>

**(m) Passenger Fares**

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

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**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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***(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 2004 will be recognized as revenue in 2004. 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***

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.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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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.

**(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, 2004.

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 2004 and 2003, the Authority complied with the provisions of these statutes.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(a) Deposits With Financial Institutions**

At December 31, 2004, the carrying amount of the Authority's deposits with financial institutions was \$2,989,392 and the bank balance was \$3,965,738. The difference results mainly from outstanding checks. In addition, the Authority had \$5,220 of cash on hand. The amount of \$100,000 was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the GASB) and \$3,865,738 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, 2004. 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, 2004 the Authority held equity of \$16,585,797 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, 2004:

Description	1	Category 2	3	Reported/ Fair Value
U.S. Treasury notes and federal agency obligations	\$ -	\$ -	\$1,983,498	\$ 1,983,498
Equity in the state treasurer's investment pool (Star Ohio)				<u>16,585,797</u>
Total investments				<u>\$18,569,295</u>

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

**(4) Capital Assets**

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

	Balance January 1, 2004	Additions	Transfers/ Disposals	Balance December 31, 2004
Capital Assets Not Being Depreciated:				
Land	\$5,140,463	\$ 399,653	\$ ---	\$ 5,540,116
Construction in progress	9,696,978	9,310,362	---	19,007,340
Total Capital Assets Not Being Depreciated	14,837,441	9,710,015	---	24,547,456
Capital Assets Being Depreciated:				
Land and leasehold improvements	8,945,518	---	---	8,945,518
Building and improvements	38,658,698	16,900	---	38,675,598
Revenue vehicles	74,763,684	2,153,684	(8,188,489)	68,728,879
Transit shelters	2,120,905	---	---	2,120,905
Other equipment	28,357,586	84,497	(151,583)	28,290,500
Total Capital Assets Being Depreciated	152,846,391	2,255,081	(8,340,072)	146,761,400
Less Accumulated Depreciation:				
Land and leasehold improvements	5,833,147	244,417	---	6,077,564
Building and improvements	15,679,754	751,063	---	16,430,817
Revenue vehicles	40,569,667	6,530,765	(6,384,535)	40,715,897
Transit shelters	1,984,991	52,617	---	2,037,608
Other equipment	21,310,116	2,280,954	(151,583)	23,439,487
Total Accumulated Depreciation	85,377,675	9,859,816	(6,536,118)	88,701,373
Total Capital Assets Being Depreciated, Net	67,468,716	(7,604,735)	(1,803,954)	58,060,027
Total Capital Assets, Net	<u>\$ 82,306,157</u>	<u>\$ 2,105,280</u>	<u>\$ (1,803,954)</u>	<u>\$ 82,607,483</u>

For discussion of the \$1,803,954 transfer of revenue vehicles, see Note 10, Special Item.

**(5) Leases**

COTA leases certain property and office equipment under operating leases. Rental expense for all operating leases was approximately \$709,000 in 2004 and \$713,000 in 2003. No lease commitments exist after 2007. 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, 2004:

	Commitments under Operating Leases
2005	\$ 445,902
2006	287,299
2007	166,194
Total minimum lease payments	<u>\$ 899,395</u>

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(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, 2004 and 2003, consist of the following:

	<b>2004</b>	<b>2003</b>
Federal:		
FTA Operating Assistance	\$ 10,687,631	\$ 10,874,105
FTA Capital Assistance	8,323,292	6,398,882
Total	\$ 19,010,923	\$ 17,272,987
State:		
ODOT Elderly and Disabled Fare Assistance	\$ 357,062	\$ 153,597
ODOT Fuel Tax Reimbursement	584,641	567,959
ODOT Capital Assistance	2,690,281	2,274,687
Total	\$ 3,631,984	\$ 2,996,243
Other:		
Land donated for Near East Transit Center	\$ 366,884	\$ ---
Total	\$ 366,884	\$ ---

**(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. The Authority purchases commercial insurance for employee bonding, fire, property, crime, travel and general liability.

COTA is self-insured for all public liability, personal injury and property damage claims. The estimated liability for such claims of \$376,394 at December 31, 2004, and \$341,913 at December 31, 2003, are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 2004, and 2003, \$12,348,923 and \$12,186,338, 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.

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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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 \$237,918 at December 31, 2004, 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, 2004 and 2003 follows:

	<u>General</u>		<u>Workers'</u>
	<u>Liability</u>		<u>Compensation</u>
Claims liability at December 31, 2002	\$ 335,555	\$	355,902
Incurred claims, net of favorable settlements	221,133		303,864
Claims paid	<u>(214,775)</u>		<u>(425,526)</u>
Claims liability at December 31, 2003	341,913		234,240
Incurred claims, net of favorable settlements	141,968		517,673
Claims paid	<u>(107,487)</u>		<u>(513,995)</u>
Claims liability at December 31, 2004	<u>\$ 376,394</u>	\$	<u>237,918</u>

**(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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling 1-614-222-6701 or 1-800-222-PERS (7377).

(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(b) Funding Policy**

The ORC provides statutory authority for member and employer contributions. Plan members are required to contribute 8.5% of their annual covered salary and COTA is required to contribute an actuarially determined rate. The 2004 and 2003 employer contribution rate for local government employer units was 13.55% of annual covered payroll. The Authority's contributions to OPERS for the years ending December 31, 2004, 2003, and 2002 were approximately \$5,020,000, \$5,134,000, and \$5,019,000, 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 health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the 2004 rate was 13.55% of covered payroll; and 4.00% was the portion that was used to fund health care for the year. COTA's contributions actually made to fund post-employment benefits totaled \$1,482,000 in 2004 and \$1,894,000 in 2003.

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 OPERS' latest Actuarial Review performed as of December 31, 2003.

*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.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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*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 2003 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 at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% annually (the projected wage inflation rate).

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants at December 31, 2004, was 369,885. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2003 was \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

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

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

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(continued)



**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(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, 2004, 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, 2004, 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 useful life (as determined by the FTA). If this provision is not met, the granter must refund FTA's un-depreciated basis in assets disposed.

**(10) Special Item**

In 2001, the Authority purchased 38 low-floor 30-foot diesel powered buses from Advanced Bus Industries (ABI). In the Fall of 2001, ABI filed for bankruptcy and the company's assets were liquidated. During the next three years, COTA experienced a multitude of equipment failures on the ABI buses including chassis structure cracks, passenger door controller problems, engine compartment seal defects, and premature brake wear. In 2003, the ABI buses were the costliest in the fleet to operate at \$0.55 per mile. Service calls on ABI buses amounted to 23% of all fleet breakdowns. In October 2004, the Authority received permission from the FTA to transfer the remaining Federal interest in 13 of the ABI buses to other FTA grant recipient transit systems and the COTA Board of Trustees authorized the transfer of the Federal interest and title. The transfer of the ABI buses resulted in a \$1,803,954 loss of the remaining net book value of the buses. Future transfers of the remaining ABI fleet are planned in an effort to reduce maintenance costs and equipment failures. The Authority purchased new replacement buses in 2004 and 2005 with lower operating and maintenance costs.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Notes to Financial Statements**  
**Years Ended December 31, 2004 and 2003**

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**(11) Construction Commitments**

The Authority has active construction projects as of December 31, 2004. The projects include completion of the Draft Environmental Impact Statement (DEIS) for the North Corridor Light Rail Project and the completion of two transit center facilities. At year-end COTA's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
North Corridor Light Rail	\$9,092,963	\$1,178,684
Easton Daycare Center	1,120,016	521,476
Near East Transit Center	152,985	1,812,761
Total	\$10,365,964	\$3,512,921

In the current Preliminary Engineering stage of the North Corridor Light Rail project, the FTA contributes 54% toward the environmental expenses necessary to complete the DEIS, also known as Transportation Review Advisory Council (TRAC) eligible expenses. The State of Ohio contributes 45% of TRAC eligible expenses, and in the current phase, the Authority funds 1% of the expenses. During the DEIS preparation, 100% of non-TRAC eligible expenses are reimbursed by Federal funds.

The Easton Daycare Center is an integral part of the existing Easton Transit Center and will be completed in 2005. The Easton Daycare Center is funded 80% by Federal funds, 10% by the State of Ohio, and 10% by Authority funds.

The Near East Transit Center is being constructed in the heart of the Columbus Empowerment Zone (an economically disadvantaged area with high unemployment) and is scheduled for completion in 2005. The Near East Transit Center is funded 80% by Federal funds, 20% by the State of Ohio, and less than 1% by Authority funds.

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(continued)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Supplemental Schedule of Revenues, Expenses and**  
**Changes in Net Assets - Budget vs. Actual (Accrual Basis)**  
**Year ended December 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE / (UNFAVORABLE) VARIANCE</u>
OPERATING REVENUES.....	\$ 12,128,448	\$ 12,316,749	\$ 188,301
OPERATING EXPENSES OTHER THAN DEPRECIATION:			
Labor.....	37,504,288	32,052,900	5,451,388
Fringe benefits.....	15,441,818	20,776,073	(5,334,255)
Materials and supplies.....	7,066,779	6,858,978	207,801
Purchased transportation.....	4,481,425	4,411,484	69,941
Services.....	4,118,451	3,951,600	166,851
Utilities.....	1,307,407	1,307,472	(65)
Taxes.....	712,277	691,837	20,440
Leases and rentals.....	532,341	516,590	15,751
Claims and insurance, net of settlements.....	279,097	274,749	4,348
Advertising.....	257,750	209,062	48,688
Miscellaneous.....	428,927	415,262	13,665
Total.....	<u>72,130,560</u>	<u>71,466,007</u>	<u>664,553</u>
DEPRECIATION.....	12,376,335	9,859,816	2,516,519
Total operating expenses.....	<u>84,506,895</u>	<u>81,325,823</u>	<u>3,181,072</u>
OPERATING LOSS.....	<u>(72,378,447)</u>	<u>(69,009,074)</u>	<u>3,369,373</u>
NON-OPERATING REVENUES (EXPENSES):			
Sales tax revenues.....	43,338,424	44,984,894	1,646,470
Federal operating grants and reimbursements .....	11,585,636	10,687,631	(898,005)
State operating grants, reimbursements and special fare assistance.....	792,727	941,703	148,976
Investment income.....	753,190	293,186	(460,004)
Nontransportation and other revenues.....	473,380	402,391	(70,989)
Total.....	<u>56,943,357</u>	<u>57,309,805</u>	<u>366,448</u>
Loss before capital grants & special item.....	<u>(15,435,090)</u>	<u>(11,699,269)</u>	<u>3,735,821</u>
CAPITAL GRANT REVENUE:			
Federal .....	20,887,730	8,323,292	(12,564,438)
State .....	5,808,158	2,690,281	(3,117,877)
Other .....	-	366,884	366,884
Total .....	<u>26,695,888</u>	<u>11,380,457</u>	<u>(15,315,431)</u>
SPECIAL ITEM			
Loss on transfer of assets.....	-	(1,803,954)	(1,803,954)
Total .....	<u>-</u>	<u>(1,803,954)</u>	<u>(1,803,954)</u>
CHANGE IN NET ASSETS .....	11,260,798	(2,122,766)	(13,383,564)
NET ASSETS, BEGINNING OF YEAR.....	<u>116,213,913</u>	<u>116,213,913</u>	<u>-</u>
NET ASSETS, END OF YEAR.....	<u>\$ 127,474,711</u>	<u>\$ 114,091,147</u>	<u>\$ (13,383,564)</u>

See accompanying Independent Auditors' report.

**STATISTICAL  
SECTION**

# CENTRAL OHIO TRANSIT AUTHORITY

## Revenues by Source Last Ten Fiscal Years

(in thousands)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>OPERATING REVENUES:</b>										
Passenger fares for transit service .....	\$10,607	\$11,493	\$12,143	\$12,680	\$12,795	\$12,779	\$12,762	\$12,773	\$12,013	\$11,421
Special transit fares .....	128	188	258	431	385	476	433	291	374	347
Charter service revenue .....	41	7	21	24	22	30	21	18	23	34
Auxiliary transportation revenue .....	889	952	814	939	983	880	887	730	568	515
Total operating revenues .....	<u>11,665</u>	<u>12,640</u>	<u>13,236</u>	<u>14,074</u>	<u>14,185</u>	<u>14,165</u>	<u>14,103</u>	<u>13,812</u>	<u>12,978</u>	<u>12,317</u>
<b>NONOPERATING REVENUES:</b>										
Sales tax revenues .....	30,550 (1)	32,004 (1)	34,699 (1)	36,804 (1)	40,911 (1)	41,543 (1)	41,748	41,245	43,774	44,985
Federal operating grants and reimbursements .....	3,930	2,105	3,426	1,920	9,727	11,211	11,389	12,400	10,874	10,688
State operating grants, reimbursements and special fare assistance .....	3,767	3,468	3,367	3,655	3,342	3,920	2,136	860	722	942
Investment income .....	1,309	1,334	1,476	1,686	1,528	1,781	1,310	900	423	293
Nontransportation and other revenues .....	175	342	255	185	142	252	400	1,184	440	402
Experience Refund from Bureau of Workers' Compensation (BWC) .....	-	-	-	2,022	-	-	-	-	-	-
Planning study assistance revenues .....	145	155	46	55	30	17	-	-	-	-
Total nonoperating revenues before capital gifts and grants .....	<u>39,876</u>	<u>39,408</u>	<u>43,269</u>	<u>46,327</u>	<u>55,680</u>	<u>58,724</u>	<u>56,983</u>	<u>56,589</u>	<u>56,233</u>	<u>57,310</u>
Capital gifts and grants:										
Federal capital grants .....	17,238	2,453	2,378	3,312	9,386	5,138	23,475	3,125	6,399	8,323
State capital grants .....	322	54	152	34	876	617	2,850	351	2,275	2,690
Transfer of local share on capital funding earned .....	3,957	-	-	-	-	-	-	-	-	-
Donated capital .....	-	-	-	-	942	-	-	-	-	367
<b>TOTAL REVENUES</b> .....	<u>\$73,058</u>	<u>\$54,555</u>	<u>\$59,035</u>	<u>\$63,747</u>	<u>\$81,069</u>	<u>\$78,644</u>	<u>\$97,411</u>	<u>\$73,877</u>	<u>\$77,885</u>	<u>\$81,007</u>

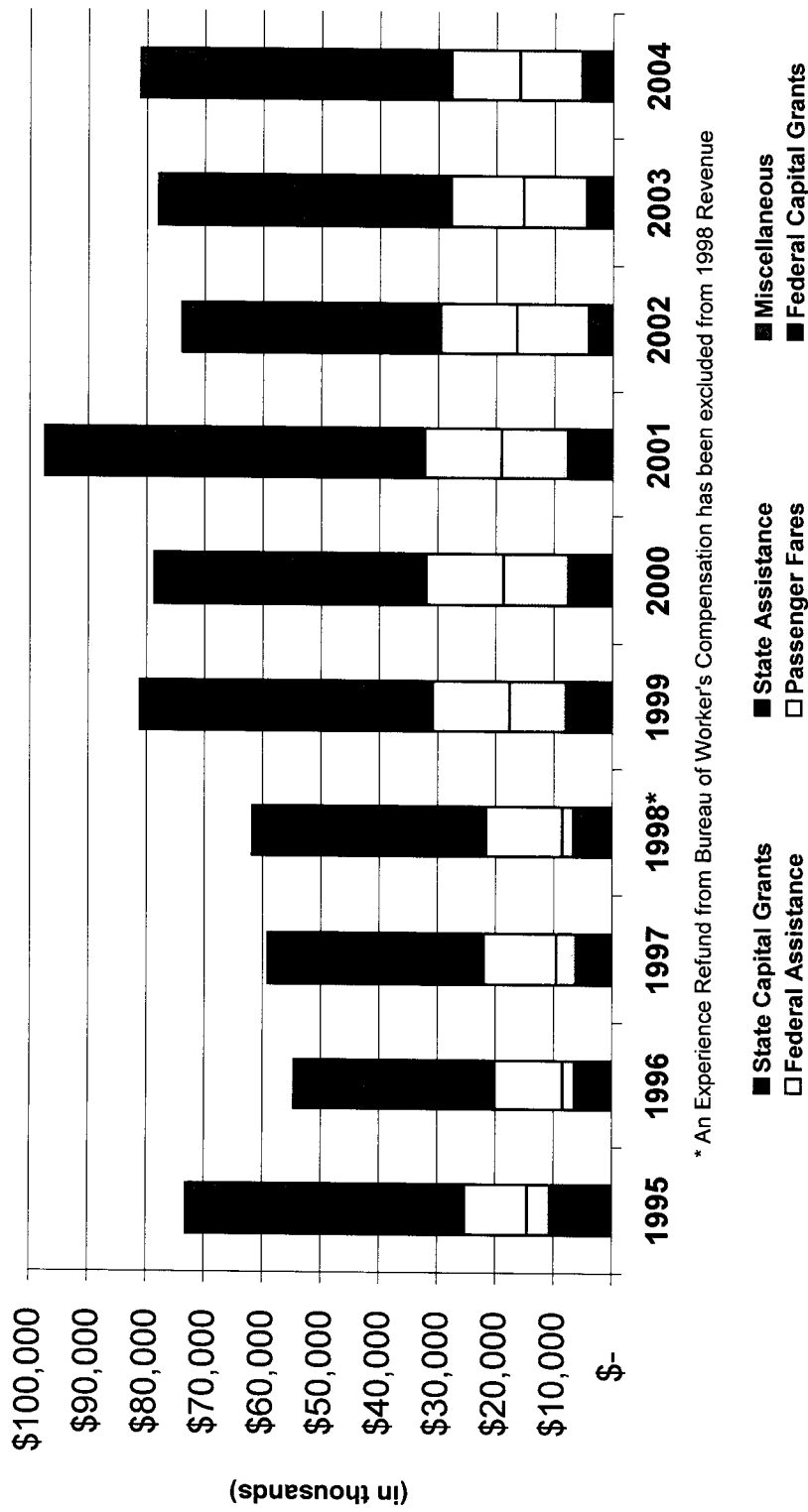
Amounts are presented in accordance with generally accepted accounting principles, on an accrual basis

Source: The Authority's independently audited annual financial statements

(1) Sales Tax Revenues are restated prior to 2001 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



\* An Experience Refund from Bureau of Worker's Compensation has been excluded from 1998 Revenue

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

**TRANSPORTATION INDUSTRY (1)**

YEAR	<u>OPERATING AND OTHER REVENUE</u>			<u>OPERATING ASSISTANCE</u>			<u>TOTAL ALL REVENUES</u>
	<u>PASSENGER</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>STATE &amp; LOCAL</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
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	32.6	18.1	50.7	43.5	5.8	49.3	100.0
2004	*	*	*	*	*	*	*

**CENTRAL OHIO TRANSIT AUTHORITY (2)**

YEAR	<u>OPERATING AND OTHER REVENUE</u>			<u>OPERATING ASSISTANCE</u>			<u>TOTAL ALL REVENUES</u>
	<u>PASSENGER</u>	<u>OTHER</u> (3)	<u>TOTAL</u>	<u>STATE &amp; LOCAL</u> (5)	<u>FEDERAL</u>	<u>TOTAL</u>	
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	(4) 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
2004	14.6	15.5	30.1	56.7	13.2	69.9	100.0

\* Information not available

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

(2) Percentages are derived from the Authority's independently audited annual financial statements, restated prior to 2001 due to changes in the recording of local sales tax revenue and the recognition of capital grants and gifts as revenues

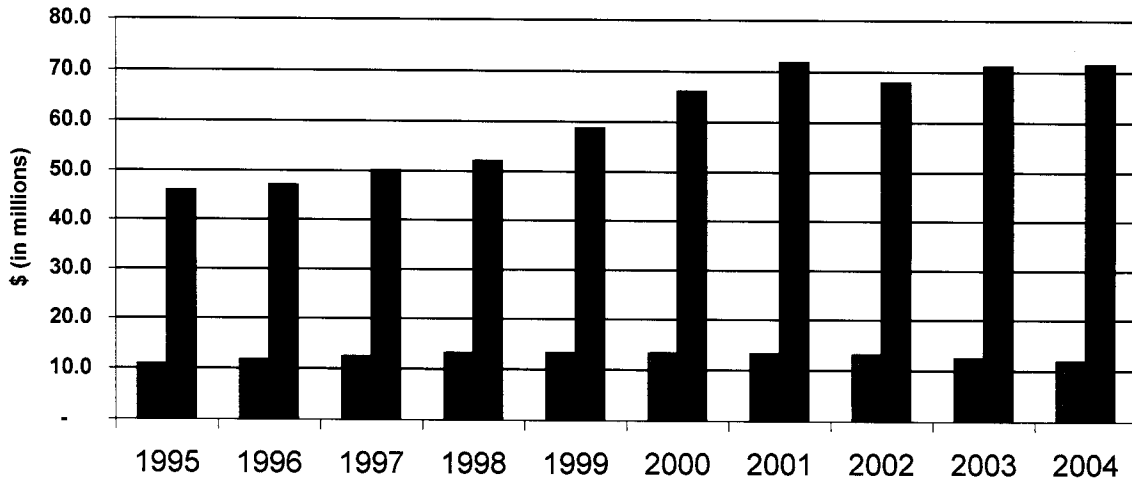
(3) Includes auxiliary transportation revenues, interest income, planning study assistance revenue, nontransportation, other revenues and capital grants

(4) Excludes experience refund from the Bureau of Workers' Compensation (BWC)

(5) 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**

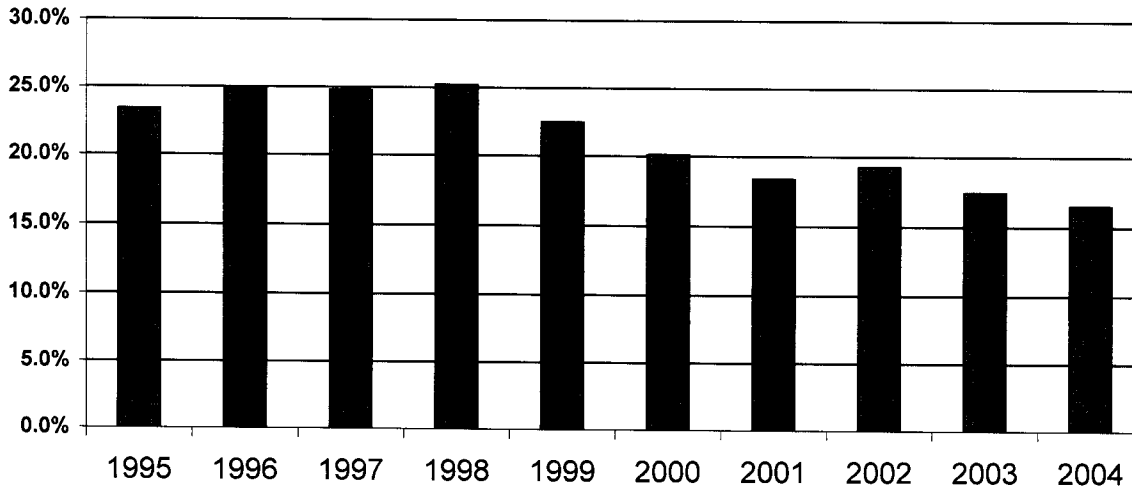


Farebox revenues include passenger, special transit, and charter revenues;  
operating expenses exclude depreciation

■ Farebox Revenues                      ■ Operating Expenses

## 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)

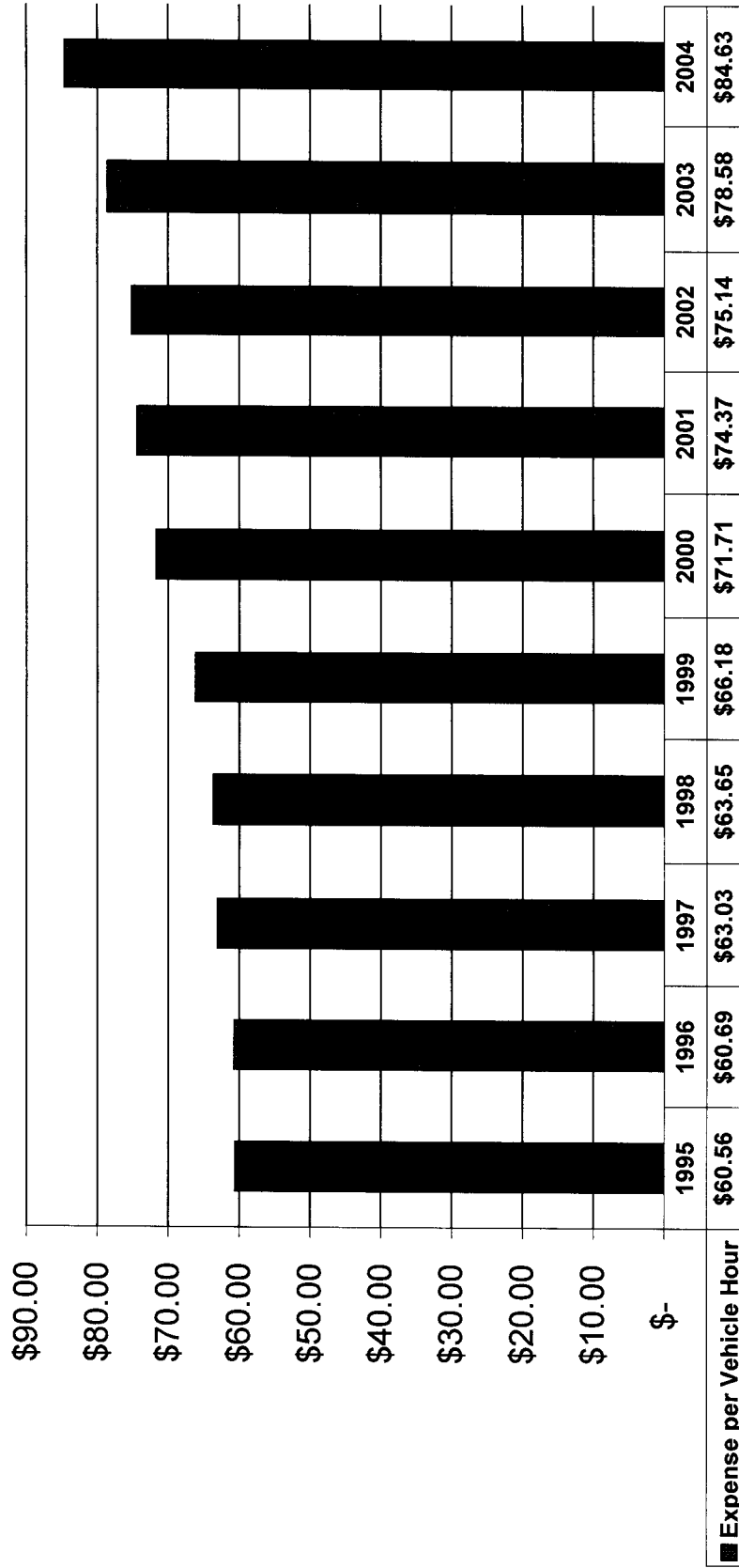
	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>OPERATING EXPENSES</b>										
<b>OTHER THAN DEPRECIATION:</b>										
Labor .....	\$22,920	\$23,968	\$24,729	\$26,551	\$28,518	\$31,218	\$34,037	\$32,590	\$32,752	\$32,053
Fringe benefits .....	12,296	12,117	13,579	12,790	14,233	14,694	18,504	18,769	19,934	20,776
Services .....	2,458	2,237	2,413	2,913	5,003	6,184	4,714	3,765	3,808	3,952
Materials and supplies .....	3,761	3,760	3,641	3,855	4,311	6,143	6,285	5,483	6,655	6,859
Utilities .....	862	1,062	887	892	970	1,137	1,369	1,173	1,337	1,307
Claims and insurance .....	248	(72)	106	99	224	276	440	337	390	275
Taxes .....	546	576	569	594	635	649	696	621	654	692
Purchased transportation .....	1,922	2,469	2,942	3,023	3,268	3,912	4,077	3,877	4,257	4,411
Leases and rentals .....	120	211	161	151	132	285	399	558	523	517
Miscellaneous .....	912	787	1,090	1,275	1,392	1,578	1,255	677	781	624
<b>Total .....</b>	<b>46,045</b>	<b>47,115</b>	<b>50,117</b>	<b>52,143</b>	<b>58,686</b>	<b>66,076</b>	<b>71,776</b>	<b>67,850</b>	<b>71,091</b>	<b>71,466</b>
<b>DEPRECIATION .....</b>	<b>7,801</b>	<b>8,176</b>	<b>7,370</b>	<b>7,750</b>	<b>8,252</b>	<b>8,635</b>	<b>10,851</b>	<b>13,644</b>	<b>10,939</b>	<b>9,860</b>
<b>Total operating expenses .....</b>	<b>53,846</b>	<b>55,291</b>	<b>57,487</b>	<b>59,893</b>	<b>66,938</b>	<b>74,711</b>	<b>82,627</b>	<b>81,494</b>	<b>82,030</b>	<b>81,326</b>
<b>NONOPERATING EXPENSES:</b>										
Interest expense .....	437	370	298	221	140	53	-	-	-	-
Planning study expense .....	181	193	58	68	37	21	-	-	-	-
<b>TOTAL EXPENSES .....</b>	<b>\$54,464</b>	<b>\$55,854</b>	<b>\$57,843</b>	<b>\$60,182</b>	<b>\$67,115</b>	<b>\$74,785</b>	<b>\$82,627</b>	<b>\$81,494</b>	<b>\$82,030</b>	<b>\$81,326</b>

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



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

**TRANSPORTATION INDUSTRY (1)**

<b>YEAR</b>	<b>LABOR AND FRINGES</b>	<b>SERVICES</b>	<b>MATERIALS AND SUPPLIES</b>	<b>UTILITIES</b>	<b>CLAIMS AND INSURANCE</b>	<b>PURCHASED TRANSPORTATION</b>	<b>OTHER</b>	<b>TOTAL OPERATING EXPENSES (2)</b>
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	69.1	6.0	9.0	3.0	2.6	13.4	(3.1)	100.0
2004	*	*	*	*	*	*	*	*

**CENTRAL OHIO TRANSIT AUTHORITY (3)**

<b>YEAR</b>	<b>LABOR AND FRINGES</b>	<b>SERVICES</b>	<b>MATERIALS AND SUPPLIES</b>	<b>UTILITIES</b>	<b>CLAIMS AND INSURANCE</b>	<b>PURCHASED TRANSPORTATION</b>	<b>OTHER</b>	<b>TOTAL OPERATING EXPENSES (2)</b>
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
2004	73.9	5.5	9.6	1.8	0.4	6.2	2.6	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, 2004**  
(in thousands)

**CALCULATION OF LEGAL OVERALL DEBT MARGIN:**

Total assessed property valuation of Authority (2004 tax year valuation) (1) .....	\$26,007,316
Multiplied by: Legal overall debt limitation (%) .....	<u>5.00%</u>
Equals: Total legal voted and unvoted debt limitation .....	\$1,300,366
Less: Nonexempt general obligation debt (voted and unvoted) (2) .....	<u>\$ -</u>
Equals: Legal overall debt margin (maximum amount permitted for new voted and unvoted nonexempt general obligation debt issuances) .....	<u><u>\$1,300,366</u></u>

**CALCULATION OF LEGAL UNVOTED DEBT MARGIN:**

Total assessed property valuation of Franklin County (2004 tax year valuation) (1) .....	\$26,007,316
Multiplied by: Legal unvoted debt limitation (%) .....	<u>0.10%</u>
Equals: Legal unvoted debt limitation .....	\$26,007
Less: Maximum aggregate amounts of principal and interest payable in any one calendar year (2) .....	<u>\$ -</u>
Equals: Legal unvoted debt margin (maximum annual debt service charges permitted for new unvoted nonexempt general obligation debt issuances) ..	<u><u>\$26,007</u></u>

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**

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<u>YEAR</u>	<u>POPULATION</u>	<u>ASSESSED VALUE</u>	<u>GENERAL BONDED DEBT</u>	<u>RATIO OF BONDED DEBT TO ASSESSED VALUE</u>	<u>BONDED DEBT PER CAPITA</u>
		(3)	(4)		
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%	\$ -
2004	1,088,971 (1)	\$26,007,315,683	\$ -	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**

<u>YEAR</u>	<u>REVENUES (1)</u>	<u>CAPITAL GRANTS</u>	<u>EXPENSES (2)</u>	<u>NET REVENUE</u>			<u>DEBT SERVICE REQUIREMENTS (3)</u>	<u>DEBT COVERAGE RATIO</u>
				<u>OVER EXPENSES AVAILABLE FOR DEBT SERVICE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>		
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
2004	\$81,007,011	\$11,380,457	\$71,466,007	(\$1,839,453) (5)	\$ -	\$ -	\$ -	N/A

Source: The Authority's independently audited financial statements

(1) Revenues include all operating revenues, nonoperating revenues, capital grant 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 prior to 2001 due to changes in the recording of sales tax revenue and the recognition of capital grants as revenue

(5) Excludes Special Item (2004)

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Computation of Direct and Overlapping Debt**  
**December 31, 2004**

<u>Political Subdivision</u>	<u>General Obligation Debt</u>	<u>--Applicable to the Authority-- Percentage</u>	<u>Amount</u>
Central Ohio Transit Authority	\$ -	100.00%	\$ -
Franklin County	86,435,000	100.00%	86,435,000
Cities wholly within COTA	78,226,805	100.00%	78,226,805
Cities with Overlapping:			
City of Dublin	52,876,217	87.12%	46,065,760
City of Pickerington	14,235,000	41.00%	5,836,350
Villages wholly within COTA	35,502,488	100.00%	35,502,488
Villages with Overlapping:			
Village of Canal Winchester	6,361,516	87.62%	5,573,960
Townships wholly within COTA	5,676,863	100.00%	5,676,863
Townships with Overlapping:			
Washington Township	3,230,000	87.39%	2,822,697
School Districts wholly within COTA	517,650,938	100.00%	517,650,938
School Districts with Overlapping:			
Canal Winchester Local S.D.	30,838,004	74.75%	23,051,408
Dublin City S.D.	106,736,374	84.13%	89,797,311
Hilliard City S.D.	118,145,358	99.99%	118,133,543
Licking Heights Local S.D.	22,685,699	49.79%	11,295,210
Olentangy Local S.D.	50,595,000	0.12%	60,714
Pickerington Local S.D.	94,769,626	1.57%	1,487,883
Plain Local S.D.	47,004,029	99.97%	46,989,928
South-Western City S.D.	129,519,215	99.86%	129,337,888
Teays Valley Local S.D.	21,110,286	6.04%	1,275,061
Westerville City S.D.	123,524,632	67.04%	82,810,913
Delaware County Joint Vocational S.D.	225,000	0.07%	158
Eastland Joint Vocational S.D.	60,000	63.38%	38,028
Licking County Joint Vocational S.D.	625,693	5.95%	37,229
Special District with Overlapping:			
Delaware County District Library	1,425,000	0.08%	1,140
New Albany/Plain Joint Park District	4,904,992	99.86%	4,898,125
<b>Total</b>			<b><u><u>\$ 1,293,005,400</u></u></b>

Source: Debt schedules submitted by political subdivisions to the Franklin County Budget Commission and Settlement Division.

Note: Percentages determined by dividing the assessed valuation of the Authority by the total assessed valuation which includes all overlapping. Valuations used are the 2004 tax year.

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Operating Statistics**  
**Last Ten Fiscal Years**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<b>SYSTEM RIDERSHIP</b>										
Motor bus.....	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	14,543,928
Demand responsive.....	100,974	101,801	106,125	106,398	120,959	132,083	145,472	144,149	159,043	159,144
<b>AVERAGE WEEKDAY</b>										
<b>SYSTEM RIDERSHIP</b>										
Motor bus.....	60,583	59,993	61,183	62,410	64,152	64,195	62,727	55,388	53,564	49,524
Demand responsive.....	363	360	377	377	430	448	494	491	545	533
<b>VEHICLE MILES OPERATED</b>										
Motor bus.....	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	9,901,688
Demand responsive.....	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	2,390,749
<b>AVERAGE WEEKDAY</b>										
<b>VEHICLE MILES OPERATED</b>										
Motor bus.....	32,007	32,481	32,360	34,667	36,554	37,611	39,685	36,773	35,334	33,560
Demand responsive.....	4,457	4,901	5,790	5,648	5,812	6,815	7,658	7,827	8,211	7,938
<b>REVENUE MILES</b>										
Motor bus.....	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	8,172,292
Demand responsive.....	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	2,019,210
<b>PASSENGER MILES</b>										
Motor bus.....	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	48,218,094
Demand responsive.....	884,662	1,052,776	991,220	993,803	1,197,628	1,137,037	1,210,873	1,167,147	1,233,710	1,475,406

Source: 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)**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
VEHICLE HOURS OPERATED (1)										
Motor bus.....	688,191	697,136	701,934	727,710	793,260	806,190	838,841	776,011	747,313	702,807
Demand responsive.....	72,082	79,221	93,220	91,490	96,238	116,232	126,211	127,016	136,894	129,939
VEHICLE REVENUE HOURS (1)										
Motor bus.....	617,900	626,187	631,904	654,377	713,514	723,458	754,911	704,603	679,857	638,431
Demand responsive.....	62,025	68,857	78,304	79,515	83,043	100,346	108,908	103,217	112,360	110,113
DIESEL FUEL CONSUMPTION (IN GALLONS).....(2)	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	2,460,343
FLEET REQUIREMENTS (DURING PEAK HOURS) (1)										
Motor bus.....	255	256	252	258	266	277	282	250	247	230
Demand responsive.....	20	30	32	32	36	36	36	38	43	43
TOTAL REVENUE										
VEHICLES DURING PERIOD (1)										
Motor bus.....	402	370	325	312	321	322	346	299	308	276
Demand responsive.....	26	41	38	38	43	43	43	43	58	58
NUMBER OF EMPLOYEES .....(1)	723	683	710	747	796	815	843	775	757	722

Source:

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

(2) The Authority's Ohio Motor Fuel Tax Refund Claim for Transit Buses filed with the Ohio Department of Taxation

**CENTRAL OHIO TRANSIT AUTHORITY**  
**Fare Rate Structure**  
**December 31, 2004**

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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 over 48" and under 12 years old, Senior Discount Card (6), or Key Card (7).....	1.50
Seven-Day Pass .....	12.50

MONTHLY PASSES:

Express .....	\$ 55.00
Local .....	40.00
Project Mainstream (1) .....	55.00
Senior Discount Card (6), or Key Card (7) .....	18.00

SPECIAL FARES:

Children over 48" and under 12 years old, Senior Discount Card (6), or Key Card (7) .....	\$ 0.60
Children under 48" tall .....	FREE
All ADA Card (8) recipients on fixed-route bus service only .....	FREE
S.C.O.T. (9) .....	\$2.50/Person, with a \$75.00 minimum per Tour

- (1) Door-to-door service on demand, in wheelchair lift-equipped paratransit mini-buses, for eligible disabled riders holding an "ADA" card
- (2) Shuttle-type service available in the Easton and Linden areas during weekdays only
- (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**

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<u>YEAR</u>	<u>POPULATION</u>	<u>PER CAPITA INCOME</u>	<u>MEDIAN AGE</u>	<u>K - 12 SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
	(1)	(3)	(4)	(6)	(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)	\$34,471	*	197,914	4.9%
2004	1,088,971 (2)	*	*	207,485	5.4%

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, 2004**

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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 .....	556 square miles
Miles of route .....	936.8
Number of routes .....	58
Number of bus stop locations .....	4,394
Number of bus stop passenger shelters .....	377
Number of Park-and-Ride facilities .....	26
Parking capacity, all Park-and-Ride facilities .....	2,166 automobiles
Number of active fleet buses .....	276
Average bus vehicle age .....	6.86 years
Average system speed .....	14.02 miles per hour
Average system fuel economy .....	5.03 miles per gallon
Number of customer information calls received .....	1,084,703



*Central Ohio Transit Authority*  
*Columbus, Ohio*

**Administrative Offices & Bus Facility**

1600 McKinley Avenue

Columbus, Ohio 43222

614.275.5800

[www.cota.com](http://www.cota.com)





**Auditor of State  
Betty Montgomery**

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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  
AUGUST 4, 2005**