Central Ohio Transit Authority

Financial Statement as of December 31, 2001 and 2000 and Independent Auditors' Report

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

Board of Trustees
Central Ohio Transit Authority

We have reviewed the Independent Auditor's Report of the Central Ohio Transit Authority, Franklin County, prepared by Deloitte & Touche LLP for the audit period January 1, 2001 through December 31, 2001. 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.

JIM PETRO
Auditor of State

July 5, 2002

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

Tel: (614) 221-1000
Fax: (614) 229-4647
www.dttus.com

Board of Trustees
Central Ohio Transit Authority
Columbus, Ohio:

We have audited the accompanying balance sheet of Central Ohio Transit Authority (COTA) as of December 31, 2001, and the related statements of revenues, expenses and changes in equity, and of cash flows for the year then ended. These financial statements are the responsibility of COTA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of COTA for the year ended December 31, 2000, before the restatement described in Note 2 to the financial statements, were audited by other auditors whose report, dated May 11, 2001, expressed an unqualified opinion on those statements.

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

In our opinion, such 2001 financial statements present fairly, in all material respects, the financial position of COTA as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 2 that were applied to restate the 2000 financial statements to give retroactive effect to the change in the method of accounting for the adoption of GASB 33, *Accounting and Financial Reporting for Non-Exchange Transactions.* In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards,* we have also issued a report dated May 10, 2002 on our consideration of COTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DELOITTE & TOUCHE LLP

May 10, 2002

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets
December 31, 2001 and 2000

ASSETS	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,329,754	$ 13,214,590
Receivables:		
Sales tax	11,312,175	11,042,565
Federal operating assistance	575,314	500,342
State operating assistance	1,002,550	3,132,826
Other	1,396,420	1,494,583
Inventory of materials and supplies	2,172,138	2,218,399
Other	783,975	508,114
Total	28,572,326	32,111,419
RESTRICTED ASSETS:		
Board restricted:		
Cash and cash equivalents	17,640,715	18,626,985
Total	17,640,715	18,626,985
Restricted for capital grants:		
Cash and cash equivalents	633,713	-
Federal capital grants receivable	1,024,266	4,663,183
State capital grants receivable	1,130,464	756,088
Total	2,788,443	5,419,271
PROPERTY AND EQUIPMENT:		
Cost	168,928,071	149,242,661
Less accumulated depreciation	(79,001,885)	(80,411,039)
Total	89,926,186	68,831,622
TOTAL ASSETS	$ 138,927,670	$ 124,989,297

See notes to financial statements.

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CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets (continued)
December 31, 2001 and 2000

LIABILITIES AND EQUITY	**2001**	**2000**
CURRENT LIABILITIES:		
Accrued payroll and fringe benefits................	$ 6,217,385	$ 5,562,356
Accounts payable.....	2,900,408	4,236,111
Accrued payroll taxes....................................	619,815	529,117
Estimated workers compensation claims……	393,401	360,000
Other current liabilities..................................	309,572	324,597
Current portion of capital lease obligation	-	137,162
Total..	10,440,581	11,149,343
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Estimated claims payable	440,086	287,173
Capital expenditures payable and other..........	70,161	13,262
Total..	510,247	300,435
OTHER LIABILITIES:		
	-	6,421
Capital lease obligation, less current portion .	-	340,673
Total..	-	347,094
Total liabilities......................................	10,950,828	11,796,872
EQUITY:		
Contributed capital:		
Federal capital grants................................	45,272,359	45,272,359
State capital grants....................................	3,012,158	3,012,158
Donated capital……………………………	942,000	942,000
Total..	49,226,517	49,226,517
Retained earnings	78,750,325	63,965,908
Total equity..	127,976,842	113,192,425
TOTAL LIABILITIES AND EQUITY…..	$ 138,927,670	$ 124,989,297

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Equity
Years ended December 31, 2001 and 2000

	2001	2000
OPERATING REVENUES:		
Passenger fares for transit service	$ 12,761,958	$ 12,778,848
Special transit fares	433,050	476,491
Charter service revenue	21,348	30,271
Auxiliary transportation revenue	887,105	879,924
Total	14,103,461	14,165,534
OPERATING EXPENSES OTHER THAN DEPRECIATI		
Labor	34,036,782	31,217,553
Fringe benefits	18,503,633	14,694,477
Materials and supplies	6,285,013	6,143,013
Services	4,714,321	6,184,358
Purchased transportation	4,077,362	3,912,410
Utilities	1,369,117	1,137,506
Taxes	696,416	648,843
Advertising	638,110	701,205
Miscellaneous	616,454	876,779
Claims and insurance, net of settlements	439,789	275,846
Leases and rentals	398,535	284,641
Total	71,775,532	66,076,631
DEPRECIATION	10,851,491	8,634,796
Total operating expenses	82,627,023	74,711,427
EXCESS OF OPERATING EXPENSES INCLUDING DEPRECIATION OVER OPERATING REVENUES	(68,523,562)	(60,545,893)
NONOPERATING REVENUES (EXPENSES):		
Sales tax revenues	41,748,046	41,543,193
Federal operating grants and reimbursements	11,388,826	11,210,604
State operating grants, reimbursements and special fare assistance	2,135,821	3,919,575
Interest income	1,309,535	1,780,766
Interest expense	-	(52,557)
Planning study assistance revenues	-	17,168
Planning study expense	-	(21,459)
Nontransportation and other revenue	399,732	252,116
Total	56,981,960	58,649,406
Loss before capital gifts and grants	(11,541,602)	(1,896,487)
Capital gifts and grants:		
Federal capital grants	23,475,497	5,137,808
State capital grants	2,850,522	617,175
INCREASE IN EQUITY *(carried forward to next page)*	$ 14,784,417	$ 3,858,496

See notes to financial statements.

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CENTRAL OHIO TRANSIT AUTHORITY
ıtements of Revenues, Expenses and Changes in Equity (continu
Years ended December 31, 2001 and 2000

	2001	2000
INCREASE IN EQUITY *(brought forward from previous page)*.............................	$ 14,784,417	$ 3,858,496
EQUITY BEGINNING OF YEAR, AS RESTATED	113,192,425	109,333,929
EQUITY, END OF YEAR...	$ 127,976,842	$ 113,192,425

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of operating expenses including depreciation over operating revenues	$ (68,523,562)	$ (60,545,893)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation expense	10,851,491	8,634,796
Change in assets and liabilities:		
Sales tax receivable	(269,609)	310,895
Accrued payroll and related taxes	745,730	333,924
Other nonoperating revenues, net	393,311	239,265
Estimated claims payable	186,314	184,302
Other receivables	98,166	(126,427)
Inventory	46,261	(592,617)
Accounts payable	(1,335,703)	1,402,207
Other current liabilities	(15,025)	38,433
Other assets	(275,862)	(371,338)
Total adjustments	10,425,074	10,053,440
Net cash used in operating activities	(58,098,488)	(50,492,453)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	41,748,046	41,543,193
Federal operating assistance received	11,313,854	20,428,870
State operating and other assistance received	4,266,097	3,213,749
Federal planning study assistance received	-	25,593
Planning study expenditures	-	(21,459)
Net cash provided by noncapital financing activities	57,327,997	65,189,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal capital grants received	27,114,411	4,577,365
	2,476,145	414,010
Acquisition and construction of fixed assets	(32,366,993)	(11,292,802)
	-	(1,360,000)
Interest paid on bonds payable and capital leases	-	(90,100)
Repayment of capital lease obligations	-	(252,680)
Net cash used in capital and related financing activities	(2,776,437)	(8,004,207)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	1,309,535	1,780,766
Net cash provided by investing activities	1,309,535	1,780,766
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALEI	(2,237,393)	8,474,052
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,841,575	23,367,523
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,604,182	$ 31,841,575
SUPPLEMENTAL INFORMATION:		
Equipment acquired under capital lease agreements	$ -	$ 275,000

See notes to financial statements.

(1) Organization and Reporting Entity

(a) Organization

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

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, in 0.25% increments up to a maximum rate of 1.5% if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Franklin County. On November 5, 1999, the voters of Franklin County approved a permanent 0.25% sales and use tax.

The Authority also has the power, under Section 306.40 of the Ohio Revised Code, to levy and collect both voted (after approval at an election) and unvoted ad valorem taxes on all the taxable property within the territorial boundaries of the Authority, in order to pay debt service on its bonds and notes issued in anticipation thereof. Ad valorem taxes were not levied during fiscal years 2001 and 2000.

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

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

(b) Reporting Entity

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

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

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(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

(b) Cash and Cash Equivalents

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

(c) Grants and Assistance

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

Grants for the acquisition of property and equipment are credited to contributed capital as the related qualified expenditures are incurred. Any grant cash received in advance of when all required eligiblility requirements are met is deferred. Depreciation on fixed assets resulting from capital grants is allocated to contributed capital using the straight-line method over the same lives as described for the related property and equipment in note 2(g).

(d) Investments

Investments are reported at fair value, which is based on quoted market prices. As of December 31, 2001, Star Ohio was the only investment held by the Authority.

(e) Inventory of Materials and Supplies

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

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(f) Restricted Assets

Restricted assets consist of monies and other resources that are restricted by the Authority's Board of Trustees or capital grants for specified purposes. These restrictions are described below:

Board Restricted Assets – These assets are restricted for the payment of public liability claims under the Authority's self-insurance program and for future capital expenditures.

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

(g) Property and Depreciation

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

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

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

Assets acquired with capital grants are included in property and equipment and depreciation on those assets is included in the statements of revenues and expenses.

(h) Estimated Claims Payable

The Authority has a self-insurance program for public liability, personal injury, property damage and, as of July 1, 1998, worker's compensation (see note 8). 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.

(i) Compensated Absences

The Authority accrues vacation and sick pay benefits as earned by its employees.

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(j) Passenger Fares

Passenger fares are recorded as revenue at the time services are performed and revenues pass through the farebox.

(k) 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.

(l) 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.

(m) Nonexchange Transactions

Effective January 1, 2001, the Authority implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* and GASB Statement No. 36, *Recipient Reporting for Certain Nonexchange Revenues* (an amendment of GASB No. 33). In general, GASB Nos. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return.

The Authority's principal nonexchange transactions involve the receipt of federal, state and local grants for operating assistance as well as the acquisition of property, facilities and equipment. Substantially all of the Authority's grants are reimbursement-type grants, which are recorded as revenue in the period the related expenditures are incurred. Any grants received in advance of the period in which the related expenditures are incurred, are recorded as restricted assets and as deferred grant revenue until the expenditures are incurred.

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The principal change in accounting that resulted from GASB Statement No. 33 is the requirement that the Authority report capital grants as revenues rather than contributed capital. As part of the implementation of GASB Statement No. 33, the Authority also ceased its practice of closing depreciation expense recognized on assets funded through capital grants to contributed capital. As required under GASB Statement No. 33, the Authority has retroactively restated its general purpose financial statements as of and for the year ended December 31, 2000 for the change, which increased the Authority's contributed capital approximately $1 million and increased its retained deficit by a corresponding amount. The accounting change had no impact on the Authority's total equity or net loss before capital grant activity.

Additionally, in accordance with GASB No. 33, the Authority has recorded $11,353,460 in sales tax revenue receivable as of January 1, 2000. The restatement also decreased 2000 sales tax revenue by $310,895. For nonexchange transactions other than gifts, these statements required retroactive application. Accordingly, the Authority's equity as of January 1, 2000 has been restated as follows:

Retained earnings, January 1, 2000	$ 48,753,952
Sales tax revenues	11,353,460
Retained earnings, January 1, 2001, restated	60,107,412
Contributed Capital, January 1, 2000	49,226,517
Total equity, January 1, 2000, restated	$109,333,929

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(n) New Accounting Pronouncements

GASB recently issued Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures.* The Authority has not elected early implementation of these statements in 2001. The Authority is required to implement GASB Statements No. 34 by 2003. The Authority has not completed the process of evaluating the impact of adopting these statements, and therefore is unable to disclose the impact that adopting these statements will have on its financial position and results of operations when such statements are implemented.

(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

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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, 2001.

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.

During 2001 and 2000, the Authority complied with the provisions of these statutes.

(a) Deposits With Financial Institutions

At December 31, 2001, the carrying amount of the Authority's deposits with financial institutions was $850,571 and the bank balance was $2,314,268. The difference results mainly from outstanding checks. In addition, the Authority had $6,923 of cash on hand. $200,000 was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the GASB) and $2,114,268 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

As of December 31, 2001 and 2000, the Authority held equity of $28,746,688 and $31,046,119 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.

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(4) Board Restricted Assets

Board restricted assets comprise the following:

	December 31, 2001	December 31, 2000
Restricted for self-insurance	$ 12.010.382	$ 11,762,869
Restricted for capital expenditures	5.630.333	6,864,116
Total Board restricted	$ 17.640.715	$ 18,626,985

(5) Property and Equipment

The cost of property and equipment is comprised of the following:

	December 31, 2001	December 31, 2000
Land	$ 5.168.315	$ 5,168,315
Land and leasehold improvements	9.060.744	9,033,854
Buildings and improvements	29.419.382	27,926,017
Revenue vehicles	79.786.380	64,758,070
Transit shelters and terminals	6.778.476	6,575,593
Other equipment	33.329.524	31,709,476
Construction in progress	5.385.250	4,071,336
	$ 168.928.071	$ 149,242,661

(6) Leases

COTA leases certain property and office equipment under operating leases. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2001:

	Commitments under Operating Leases
2002	$ 323,835
2003	373,533
2004	378,363
2005	375,715
2006	270,047
Thereafter	161,388
Total minimum lease payments	$ 1,882,881

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Rental expense for all operating leases was approximately $315,000 in 2001 and $268,000 in 2000.

(7) Grants, Reimbursements and Special Fare Assistance

Grants, reimbursements and special fare assistance included in the statements of revenues and expenses for the years ended December 31, 2001 and 2000, consist of the following:

	2001	2000
Federal:		
FTA Operating Assistance	$ 11,388,826	$ 11,210,604
State:		
ODOT Operating Assistance	$ 1,215,206	3,023,292
ODOT Elderly and Disabled Fare Assistance	304,152	300,920
ODOT Fuel Tax Reimbursement	616,463	595,363
Total	$ 2,135,821	$ 3,919,575

(8) Risk Management

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

COTA is self-insured for all public liability, personal injury and property damage claims. The estimated liability for such claims of $440,086 at December 31, 2001, and $287,173 at December 31, 2000, are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 2001, and 2000, $12,010,382 and $11,762,869, respectively, were restricted by the Board of Trustees to fund the self-insurance program. Such funds are included in board-restricted assets in the accompanying balance sheets.

Prior to June 30, 1998, COTA was insured through the State of Ohio Bureau of Workers' Compensation (BWC) for injuries to its employees. On July 1, 1998, the Authority entered into an agreement with the BWC to become self-insured for claims pertaining to work-related injuries to Authority employees occurring on or after that date. The BWC agreed to continue to administer and pay all compensation claims arising on or before June 30, 1998. The estimated liability for all such claims occurring since July 1, 1998 is $393,401 at December 31, 2001 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.

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A summary of changes in self-insurance claims liability for the years ended December 31, 2001 and 2000 follows:

	General Liability	Workers' Compensation
Claims liability at December 31, 1999	$ 212,871	$ 250,000
Incurred claims, net of favorable settlements	200,247	391,969
Claims paid	(125,945)	(281,969)
Claims liability at December 31, 2000	$ 287,173	$ 360,000
Incurred claims, net of favorable settlements	395,751	323,035
Claims paid	(242,838)	(289,634)
Claims liability at December 31, 2001	$ 440,086	$ 393,401

(9) Defined Benefit Pension Plan

(a) Plan Description

COTA contributes to the Public Employees Retirement System of Ohio (PERS), a cost sharing, and multiple-employer public employee retirement system. PERS 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 PERS Board of Trustees (Board). PERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling 614-466-2085 or 1-800-222-PERS (7377).

(b) Funding Policy

Plan members are required to contribute 8.5% of their annual covered salary and COTA is required to contribute an actuarially determined rate. The 2001 employer contribution rate for local government employer units was 13.55% of annual covered payroll. The Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 rate was 10.84% of covered payroll. The contribution requirements of plan members and COTA are established and may be amended by the Board. COTA's contributions to PERS for the years ending December 31, 2001, 2000, and 1999 were approximately $5,042,000, $3,774,000, and $4,400,000, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

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(c) Other Post-employment Benefits

PERS 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. As required by state statute, a portion of each employer's contribution to PERS is set aside for funding of the post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. For local government employer units, the 2001 rate was 13.55% (10.84% in 2000) of covered payroll; 4.30% was the portion that was used to fund health care for both years. COTA's contributions actually made to fund post-employment benefits was $1,600,100 in 2001 and $1,497,300 in 2000.

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

Summary of assumptions:

Actuarial Review – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000.

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

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

Investment Return – The investment assumption rate for 2000 was 7.75%.

Active Employee Total Payroll – An annual increase of 4.75% 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 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Health Care – Health care costs were assumed to increase 4.75% annually.

OPEBs are advanced funded on an actuarially determined basis. The number of active participating participants at December 31, 2001, was 411,076. $11,735.9 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000 (the latest date information is available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $14,364.6 million and $2,628.7 million, respectively.

(continued)

The Board enacted a temporary employer contribution rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for local government divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

(10) 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, 2001, 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, 2001, there were no material questioned costs that had not been resolved with appropriate federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of COTA's management, no material grant expenditures will be disallowed.

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

Central Ohio Transit Authority

*Reports Issued Pursuant to the
OMB Circular A-133 for the
Year Ended December 31, 2001*

CENTRAL OHIO TRANSIT AUTHORITY

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

Tel: (614) 221-1000
Fax: (614) 229-4647
www.dttus.com

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

Board of Trustees
Central Ohio Transit Authority

and

The Honorable Jim Petro
Auditor of State:

We have audited the financial statements of the Central Ohio Transit Authority (COTA) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 10, 2002. We also audited the adjustments described in Note 2 that were applied to restate the 2000 financial statements to give retroactive effect to the change in the method of accounting for the adoption of GASB 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. In our opinion, such adjustments are appropriate and have been properly applied. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether COTA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have presented to management of COTA in a separate letter dated May 10, 2002.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered COTA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting, which we have presented to management of COTA in a separate letter dated May 10, 2002.

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

DELOITTE & TOUCHE LLP

May 10, 2002

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

Tel: (614) 221-1000
Fax: (614) 229-4647
www.dttus.com

Deloitte & Touche

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

Board of Trustees
Central Ohio Transit Authority

and

The Honorable Jim Petro
Auditor of State:

COMPLIANCE

We have audited the compliance of the Central Ohio Transit Authority (COTA) 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 each of its major federal programs for the year ended December 31, 2001. COTA's major federal program is identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of COTA's management. Our responsibility is to express an opinion on COTA'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 COTA'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 COTA's compliance with those requirements.

In our opinion, COTA 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, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 01-01.

INTERNAL CONTROL OVER COMPLIANCE

The management of COTA 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 COTA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the basic financial statements of COTA, as of and for the year ended December 31, 2001, and have issued our report thereon dated May 10, 2002. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of COTA. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

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

DELOITTE & TOUCHE LLP

May 10, 2002

CENTRAL OHIO TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
YEAR ENDED 12-31-01

Grantor/Title:	CFDA #	Grant #	Total Grant $ Award	Accrued Revenue @ 12-31-01	Cash Receipts	Accrued Revenue @12-31-00	Total Grants Recognized	Local Share	Net Project Cost
U. S. Department of Transportation - Federal Transit Administration (FTA):									
Urbanized Area Formula Program Grants:									
Received directly from FTA:	20.507	**OH-90-X237**	$ 5,979,000	$ 1	$ 18,557	$ 0	$ 18,558	$ 1,840	$ 20,398
		OH-90-X263	5,880,000	49,726	3,029,046	310,000	2,768,772	692,193	3,460,965
		OH-90-X293	5,153,820	0	2,359,029	0	2,359,029	589,757	2,948,786
		OH-90-X304	5,666,505	16,516	398,921	(23,536)	438,973	109,743	548,716
		OH-90-X336	16,743,129	0	6,788,159	0	6,788,159	1,697,040	8,485,199
		OH-90-X362	10,934,987	(1)	556,569	511,150	45,418	11,356	56,774
		OH-90-X366	5,525,750	7,845	2,739,058	279,204	2,467,699	616,925	3,084,624
		OH-90-X375	11,228,996	568,728	10,608,748	0	11,177,476	2,794,369	13,971,845
		OH-90-X381	514,040	(33,110)	257,020	0	223,910	55,977	279,887
		OH-90-X382	1,200,000	0	5,134	0	5,134	1,284	6,418
	20.205	**OH-26-7004**	1,091,469	0	549,590	1	549,589	516,589	1,066,178
	20.500	**OH-03-0202**	1,782,566	142,566	26,638	0	169,204	44,736	213,940
		Subtotal:		752,271	27,336,469	1,076,819	27,011,921	7,131,809	34,143,730
	None assigned	OH-37-X008	684,708	6,486	254,826	0	261,312	261,312	522,624
Capital Program Grants:	20.500								
Received directly from FTA:		OH-03-0149	400,000	3,336	24,656	1	27,991	6,998	34,989
Passed through ODOT:		OH-03-0158	3,000,000	239,804	1,248,490	49,503	1,438,791	359,698	1,798,489
Passed through ODOT:		OH-03-0157	3,800,000	0	1,837,063	1,759,670	77,393	19,348	96,741
Passed through ODOT:		OH-03-0165	2,704,000	644,288	1,831,304	563,927	1,911,665	477,916	2,389,581
Passed through ODOT:		OH-03-0169	3,455,346	625,629	2,700,053	1,662,758	1,662,924	415,731	2,078,655
Passed through ODOT:		OH-03-0175	2,393,284	(223,793)	1,305,997	0	1,082,204	270,551	1,352,755
Passed through ODOT:		OH-03-0184	1,569,726	141,094	1,428,632	61,656	1,508,070	377,018	1,885,088
		Subtotal:		1,430,358	10,376,195	4,097,515	7,709,038	1,927,260	9,636,298
Total federal financial assistance:				**$2,189,115**	**$37,967,490**	**$5,174,334**	**$34,982,271**	**$9,320,381**	**$44,302,652**

CENTRAL OHIO TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2001

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

3. RELATIONSHIP OF FEDERAL FINANCIAL REPORTS

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

CENTRAL OHIO TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2001

(1) Summary of Auditors' Results

(a) The type of report issued on the basic financial statements:	Unqualified opinion
(b) Reportable conditions in internal control were disclosed by the audit of the financial statements:	None reported
Material weaknesses:	None
(c) Noncompliance which is material to the financial statements:	None
(d) Reportable conditions in internal control over major programs:	None reported
(e) The type of report issued on compliance for major programs:	Unqualified opinion
(f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133:	Yes. See 01-1
(g) Major program:	Federal Transit Cluster (CFDA #20.507 and 20.500)
(h) Dollar threshold used to distinguish between Type A and Type B programs:	$1,049,468
(i) Auditee qualified as low-risk auditee under Section .530 of OMB Circular A-133:	No

(2) **Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None reported

CENTRAL OHIO TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2001

(01-1) Finding over Post Delivery Audits: Federal Transit Administration Grants

Criteria:

Recipients of Federal Funding from the Federal Transit Administration program are required to perform or cause to be performed a post delivery audit before title is passed on purchases of rolling stock.

Condition:

COTA failed to perform or cause to be performed a post delivery audit on rolling stock purchased under a contract with New Flyer, Inc.

Questioned Costs:

None

Effect:

COTA was unable to ensure that the purchase of the rolling stock was in compliance with Federal Transit Administration rules and regulations.

Cause:

COTA was unable to perform or cause to be performed the post delivery audit because New Flyer, Inc. was unable to provide a "Buy America" certificate since the original vendors approval on the pre-award audit had changed before the final delivery occurred.

Recommendation:

We recommend COTA perform or cause to be performed post delivery audits before title is passed to the rolling stock in accordance with the Federal Transit Administration requirements.

Summary Schedule of Prior Year Audit Findings

Number	Finding	Status	Contact
00-1	COTA failed to submit their quarterly and annual progress reports related to their Disadvantaged Business Enterprise (DBE) goals.	Corrected.	Carol Perkins, Compliance Officer

Central Ohio Transit Authority

Federal Transit Administration Funding Allocation Data for the Year Ended December 31, 2001 and Independent Accountants' Report

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

Tel: (614) 221-1000
Fax: (614) 229-4647
www.dttus.com

Deloitte & Touche

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Trustees
Central Ohio Transit Authority:

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

The FTA has established the following standards with regard to the data reported to it in the Federal Funding Allocation Statistics Form (901) 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, 2001. Such procedures, which were agreed to and specified by FTA in the Declarations section of the *2001 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 (901) for the fiscal year ended December 31, 2001 is presented in conformity with the requirements of the *Uniform System of Accounts and Records and*

Reporting System: Final Rule, as specified in 49 CFS Part 630, *Federal Register*, January 15, 1993 and as presented in the *2001 Reporting Manual*.

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

The procedures were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of the Authority for the fiscal year ended December 31, 2001 for each of the following modes:

- Motor Bus - directly operated

- Demand Response - purchased transportation

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

None

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

In performing the procedures, except for the information and findings described above, no matters came to our attention that caused us to believe that the information included in the NTD report on the Federal Funding Allocation Statistics Form (901) for the fiscal year ended December 31, 2001 is not presented in conformity with the requirements of the *Uniform System of Accounts and Records and Reporting System, Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993 and as presented in the *2001 Reporting Manual*. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report relates only to the information described above and does not extend to the Authority's financial statements taken as a whole, or the forms in the Authority's NTD report, other than the Federal Funding Allocation Statistics Form (901), 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 10, 2002

SECTION 9 CERTIFICATION – AGREED-UPON PROCEDURES

1. Discussed procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49CFR, Part 630, Federal Register, January 15, 1993 and as prescribed in the *2001 Reporting Manual*, with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data.

2. 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 49CFR, Part 630, *Federal Register*, January 15, 1993, and as prescribed in the *2001 Reporting Manual*.

3. 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 (901).

4. Based on a description of the Authority's procedures obtained in Items 1 and 2 above, identified all the source documents which are to be retained by the Authority for a minimum of three years.

   For each type of source document, selected the months of February, June and September and observed that each type of source document exists for each of these periods.

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

6. Reviewed selected source documents and ascertained whether supervisor's signatures were present as required by the system of internal controls.

7. Obtained the worksheets utilized by the Authority to prepare the final data which are transcribed on to the Federal Funding Allocation Statistics Form (901). Compared the periodic data included on the worksheets to the periodic summaries prepared by the Authority. Tested the arithmetical accuracy of the summarizations.

8. 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.

9. Discussed with the Authority's staff the Authority's eligibility to conduct statistical sampling for passenger mile data ever third year. Determined whether the Authority meets on 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.

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

11. Examined the passenger mile sample information generated from the automatic passenger count system and, based on this information, proved the computation of passenger miles for the year ended December 31, 2001.

12. Discussed the procedures for systematic exclusion of charter, school bus and other ineligible vehicle miles from the calculation of vehicle revenue miles with the Authority's staff and determined that stated procedures are followed.

13. For vehicle revenue mile data, documented the collection and recording methodology and determined that deadhead miles are systematically excluded from the computation.

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

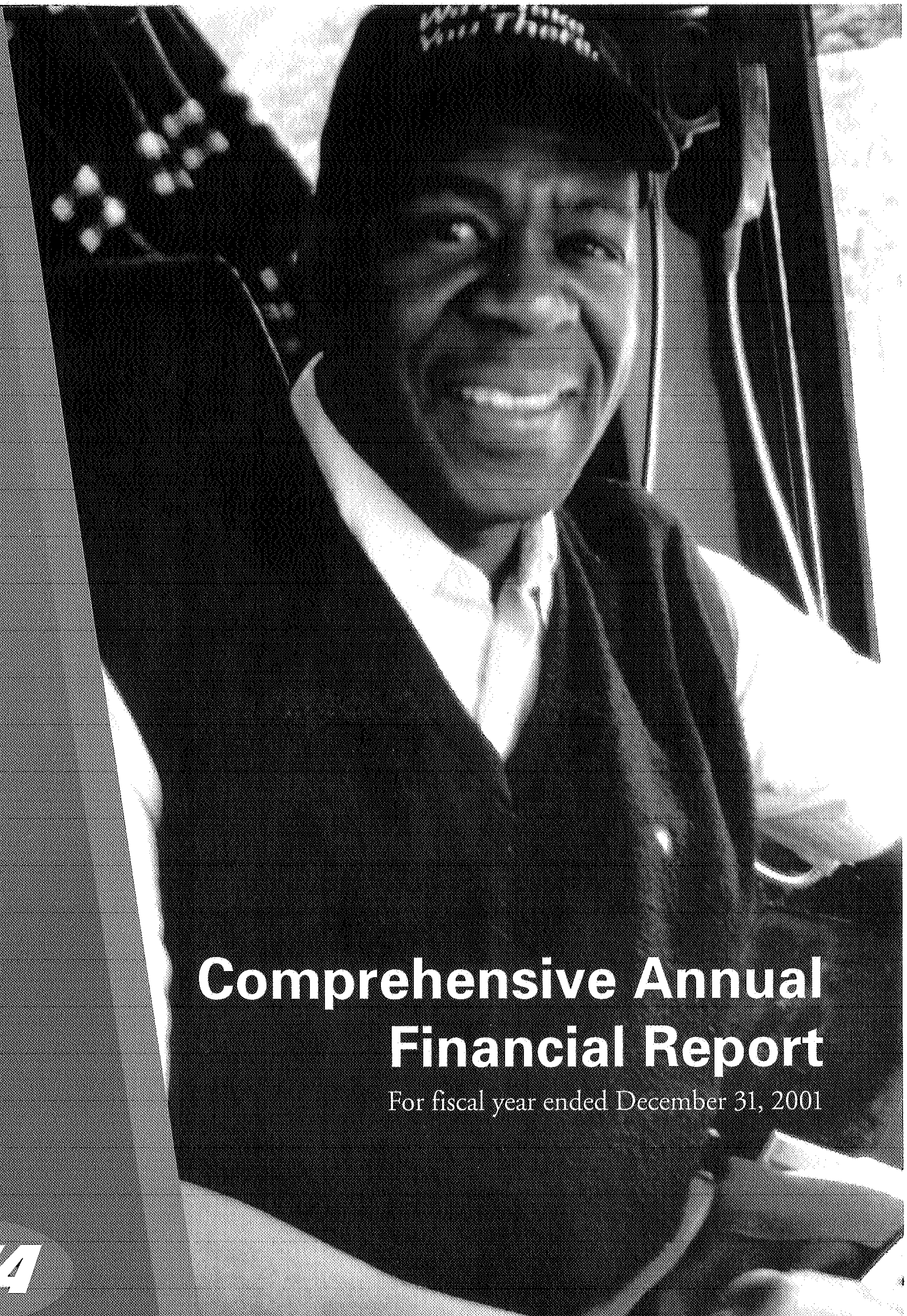
15. Noted that COTA purchased transportation services and inquired of the personnel responsible for reporting the NTD data regarding the disposition of purchased transportation generated fare revenues. Specifically, determined that some purchased transportation fare revenues were retained by the contract service provider. Obtained documentation of retained fare revenue amounts are reported by the contract service provider and agreed the total of all purchased transportation fare revenues to the fare revenues reported on Form 002.

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

17. Compared the data reported on the Federal Funding Allocation Statistics Form (901) to comparable data for the prior report year and calculated the percentage change from the prior year to the current year. Noted that no vehicle revenue mile, passsenger mile, or operating expense data increased or decreased by more than 10% relative to the prior reporting period.

18. The following *2001 Reporting Manual Section 9* test procedures were not applicable to the Authority and, therefore, were not performed:

    - Reporting Manual Section 9 Data Certification Procedures "n", "o", "p", "q", "r", "s", "v", and "x."



Comprehensive Annual Financial Report

For fiscal year ended December 31, 2001

COTA

About the cover:

Photograph of Harrison Hicks, Bus Operator
12 years at Central Ohio Transit Authority
11 years as an operator with a safe driving record

CENTRAL OHIO TRANSIT AUTHORITY
Franklin County, Ohio

Comprehensive
Annual Financial Report
For the Fiscal Year Ended
December 31, 2001

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

Central Ohio Transit Authority
Comprehensive Annual Financial Report
For the Fiscal Year ended December 31, 2001

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INTRODUCTORY

SECTION

Central Ohio Transit Authority 1600 McKinley Avenue, Columbus, OH 43222-1093
phone 614.275.5800 **fax** 614.275.5933 www.cota.com

June 28, 2002

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) for the fiscal year ended December 31, 2001, 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 this 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, 2000. This was the twelfth consecutive year that the Central Ohio Transit Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

(continued)

This CAFR is divided into the following three sections:

Introductory Section - contains this letter of transmittal, a Table of Organization, a listing of the members of the Board of Trustees and Senior Management, and a reproduction of the Certificate of Achievement awarded to the Authority by the GFOA for the fiscal year ended December 31, 2000.

Financial Section - includes the Independent Auditors' Report, the financial statements (with related footnotes) for the fiscal years ended December 31, 2001 and 2000, and a supplemental schedule disclosing actual revenues, expenses and changes in equity for the fiscal year ended December 31, 2001, compared to budgeted amounts.

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

REPORTING ENTITY

General

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

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

The Authority was created by an agreement executed on February 17, 1971, with Franklin County and the cities of Bexley, Columbus, Gahanna, Grandview Heights, Grove City, Hilliard, Reynoldsburg, Upper Arlington, Westerville, Whitehall and Worthington. The Authority's

(continued)

territorial boundaries are conterminous with Franklin County, except for a small portion of the Authority's territory in adjacent Delaware, Fairfield and Licking Counties.

Commencement of Operations

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

Facilities

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

1333 Fields Avenue opened in September 1984 and provides indoor storage for 200 buses and 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.

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

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

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

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

(continued)

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

Linden Transit Center is a 20,500 square foot facility located at the corner of Cleveland and 11th Avenues that opened for service in October 1999. The transit center houses a medical center, a day care center, and a bank, as well as other amenities. Seven bus routes presently serve the transit center, and in May 2001, the Linden LINK neighborhood circulator route was implemented, providing 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 Outer-belt, 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 will help 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.

Services

The Central Ohio Transit Authority's vision statement is:

> ***The Central Ohio Transit Authority aspires to be the transit system for a great community of the 21st century, with convenient, affordable and user friendly mobility for every resident and visitor.***

This statement is the focus of all operations and support functions.

The Authority provides all public transportation services within Franklin County, as well as portions of Delaware, Fairfield and Licking Counties that are included within the municipal corporation limits of Columbus, Westerville and Reynoldsburg. This service includes 65 fixed bus routes comprised of 23 local routes (including 5 link routes), 13 cross-town routes, and 29 express routes. The span of service provided on these fixed routes is from 4:35 a.m. to 3:44 a.m. on weekdays, 4:57 a.m. to 3:44 a.m. on Saturdays, and 6:08 a.m. to 2:09 a. m. on Sundays and holidays. The Authority estimates that it will provide approximately 741,000 vehicle hours of fixed route bus service in 2002 resulting in approximately 10,220,000 vehicle miles of operation.

In addition, the Authority provides demand-responsive transportation to the elderly and disabled through its Senior Citizens on the Town (SCOT) program and Project Mainstream, respectively. The Authority projects that in 2002, it will provide approximately 1,925 vehicle hours and 26,500 vehicle miles of SCOT service, and 128,810 vehicle hours and 2,383,000 vehicle miles of Project Mainstream (door-to-door, on-demand) service with wheelchair lift-equipped minibuses.

(continued)

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. Franklin County representatives are appointed by the Board of County Commissioners.

Administration

The administration of the Authority, subject to the policies and supervision of the Board of Trustees, is directed by the President / CEO who is appointed by the Board. The President selects the senior administrative personnel. A Table of Organization depicting the key functional responsibilities is shown on Page 21 of this Introductory Section.

ECONOMIC CONDITION AND OUTLOOK

Franklin County (the Authority's primary service area) is located in the central part of Ohio, and the City of Columbus (the capital of the state) is located within its boundaries. The Columbus Metropolitan Statistical Area (MSA) consists of seven counties: Delaware, Fairfield, Franklin, Licking, Madison, Pickaway and Union. Based on data from the Mid-Ohio Regional Planning Commission, this combined area's population is 1,559,597, with Franklin County's population of 1,071,524 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 outer-belt surrounding Columbus, while Interstate Highways I-70 and I-71 intersect in the center of the county. Four U. S. highways and thirteen state highways are also located in the county. An estimated 130 truck lines serve the MSA. Major airports include Port Columbus International and the Rickenbacker Port Authority (an air-freight/cargo facility converted from a former Air Force base). Two small municipal airports also serve general and light aviation. Franklin County has experienced rapid growth in recent years. Further commercial and office development is continuing in northeastern Franklin County (Easton), northern Columbus (Polaris), southeastern Franklin County (Rickenbacker), and in the downtown areas of Columbus known as the Arena District and the Brewery District.

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Population

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

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

Source: U. S. Bureau of the Census

Employment

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

Year	Average Employment in Franklin County	Average Unemployment Rate		
		Franklin County	Ohio	U.S.
1997	564,900	2.7%	4.6%	4.9%
1998	567,100	2.5	4.3	4.5
1999	578,400	2.5	4.3	4.2
2000	589,600	2.4	4.1	4.0
2001	604,800	2.8	4.3	4.8

Source: Ohio Bureau of Employment Services

Housing and Building Permits

According to U. S. Bureau of Census figures, the median value in 1990 of owner-occupied homes in Franklin County was $73,800, compared with $63,500 for urban housing in Ohio and $79,100 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.

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Economic Outlook

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

MAJOR INITIATIVES

Bus Replacement

In 2001, the Authority purchased 62 New Flyer of America buses and 38 Advanced Bus Industries, LLC (ABI) buses as replacements for retired buses. The New Flyer of America buses are 40 feet long and have a seating capacity of 40 people. The ABI buses are 30 feet long and have a seating capacity of 23 people. The new buses comply with the Americans with Disabilities Act and are equipped with Automatic Vehicle Locator systems. Thirty of the ABI buses replace 40-foot buses allowing for more mobility. Four of the ABI buses are used on the new Capital City Flyer route, a circulator between the airport and downtown hotels. The remaining four ABI buses are used as circulators in the Linden area of Columbus as part of the Livable Communities Initiative of the Federal Transit Administration (FTA).

North Corridor Rail Project

A "recommended" rating was received in February of 2002 from the FTA for COTA's light rail/expanded bus service plan. The rating means that the FTA considers the plan to be complete, competitive with other projects across the nation and worthy of being eligible for federal funding for the next phase of analysis. The plan includes a 70 percent increase in bus service, 40 percent increase in curb-to-curb service for people with disabilities, plus electrified light rail that begins with service to the North Corridor. Together these improvements will result in a 90 percent overall increase in the region's transit service.

Intelligent Transportation Systems

As the year 2001 came to a close, the emphasis of the COTA Advanced Replacement Economic

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Environment Radio System (CAREERS) implementation project shifted from activities related to the installation of hardware & software to activities in preparation for final acceptance testing. While the system was technically still under development, COTA Operations has been benefiting from use of this system since August 2001.

Over 80% of COTA's fleet was operating under the Route Schedule Adherence feature. COTA's CAREERS project team and Orbital had reviewed and approved almost half of the final test procedures that would be used to evaluate the performance and functionality of the system in the first half of 2002.

Easton Transit Center

Ground was broken for the Easton Transit Center, the second of 17 planned community transit centers. The Easton Transit Center consists of a 1,352 square-feet enclosed facility with a waiting area, ticket attendant's booth, drivers' lounge area, unisex bathroom and mechanical space. Spanning the building is an adjacent platform area with an 8,953 square-foot glass canopy system. Negotiations are underway with a potential day care provider that will be adjacent to the Center.

Job Access and Mobility Management

The Job Access and Mobility Management Program continued to partner with agencies and employers to help find transportation solutions to assist low-income individuals with getting to work. The program received an award for developing innovative transportation programs and services that address transportation barriers many people face when returning to work. This award is presented annually by the American Public Transit Association's (APTA) Welfare-to-Work Task Committee.

Phase II of the Coordinated Transportation Study was completed and provides COTA with an implementation plan for developing a coordinated transportation system in Central Ohio. The study also provides COTA with a framework to begin the development of a one-stop center where customers call a single phone number to have their transportation needs met. Ultimately, this center will enhance the existing COTA system and leverage other transportation resources available in the community.

Arena Terminal

Planned for completion in the fourth quarter of 2005, the 115,000 square foot Arena Terminal will be located at the north end of downtown Columbus. The facility will initially serve as a centralized transit center serving downtown bus operations, with retail and passenger amenities below COTA's administrative offices. Strategically located over two Class I freight railroad lines, the building has also been designed to serve as an integrated passenger rail facility which will enable the terminal to serve future Amtrack intercity, commuter, and intracity rail operations.

(continued)

Preliminary engineering is completed and COTA plans to move into final design and construction in calendar year 2003.

The accomplishments made by COTA in 2001 are just the beginning. COTA is breaking new ground every day, continuing to grow and working to make our vision a reality.

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.

Effective January 1, 2001, the Authority implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Nonexchange Revenues* (an amendment of GASB No. 33). In general, GASB Nos. 33 and 36 establish accounting and financial reporting standards for nonexchange

(continued)

transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return.

The Authority's principal nonexchange transactions involve the receipt of federal, state and local grants for operating assistance as well as the acquisition of property, facilities and equipment. Substantially all of the Authority's grants are reimbursement-type grants, which are recorded as revenue in the period the related expenditures are incurred. Any grants received in advance of the period in which the related expenditures are incurred, are recorded as restricted assets and as deferred grant revenue until the expenditures are incurred.

The principal change in accounting that resulted from GASB Statement No. 33 is the requirement that the Authority report capital grants as revenues rather than contributed capital. As required under GASB Statement No. 33, the Authority has retroactively restated its general purpose financial statements as of and for the year ended December 31, 2000 for the change, which increased the Authority's contributed capital approximately $1 million and decreased its retained earnings by a corresponding amount. The accounting change had no impact on the Authority's total equity or net loss before capital grant activity.

Additionally, in accordance with GASB No. 33, the Authority has recorded $11,353,460 in sales tax revenue receivable as of January 1, 2000. The restatement also decreased 2000 sales tax revenue by $310,895. For nonexchange transactions other than gifts, these statements required retroactive application.

Budgetary Controls

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

Management control for the budget is maintained by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Trustees.

Financial Results - Revenues

The Authority's revenues are classified by source and described as shown on page 11:

(continued)

REVENUES BY SOURCE
(Thousands of Dollars)

	2001	2000	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Sales Tax Revenues	$41,748	$41,543	$205	0.5%
Federal Capital Grants	23,475	5,138	18,337	356.9
Passenger Fares	13,216	13,285	(69)	(0.5)
Federal Assistance	11,389	11,211	178	1.6
State Capital Grants	2,850	617	2,233	362.0
State Assistance	2,136	3,920	(1,784)	(45.5)
Investment Income	1,310	1,781	(471)	(26.4)
Other Revenues:				
Auxiliary Transportation Revenue	887	880	7	0.8
Non-transportation Revenue	400	252	148	58.7
Planning Study Assistance	-0-	17	(17)	(100.0)
TOTAL	$97,411	$78,644	$18,767	23.9%

Sales Tax Revenues are received from a service area, permanent ¼% sales tax levy approved by voters in November 1999. The increase in 2001 revenues is due to continued growth in the local economy. A decline in sales tax revenue was budgeted in 2002.

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 grant revenue is attributable to the construction of the Easton Transit Center, the purchase of new buses, and the implementation of the CAREERS radio system.

Passenger Fares are comprised of farebox revenues, special transit fares and charter revenues. The decrease from 2000 amounts reflects a decline in ridership during the fourth quarter of 2001.

Federal Assistance is received from the Federal Transit Authority (FTA) for general operating expenses and capital programs. With the passage of the Transportation Equity Act of the 21st Century (TEA-21), regional transit authorities were given the latitude to use their Section 5307 Federal Formula Assistance on the capitalization of maintenance. As a result, virtually all of the Section 5307 funds are targeted to vehicle maintenance, permitting the full use of this allocation each year, and freeing local funds for future capital projects.

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 grant revenue is attributable to the construction of the Easton Transit Center, the purchase of new buses, and the implementation of the CAREERS radio system.

(continued)

State Assistance is received from the Ohio Department of Transportation (ODOT) for general operating expenses, 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 $0.21 of the $0.22 per gallon paid.

Investment Income is earned on invested funds. During 2001, the Federal Reserve decreased interest rates several times during the year, thereby decreasing investment income.

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

On page 14 are graphs depicting sources of revenue as a percent of total revenues for the fiscal years ended December 31, 2001 and 2000.

Financial Results - Expenses (Excluding Depreciation)

As shown in the following table, the Authority's expenses, excluding depreciation, are classified by object class. The Authority's major investment is in its employees as shown by the percentage expended for labor and fringe benefits.

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

			Increase/(Decrease)	
	2001	**2000**	**Amount**	**Percent**
Labor	$34,037	$31,218	$2,819	9.0%
Fringe Benefits	18,504	14,694	3,810	25.9
Materials and Supplies	6,285	6,143	142	2.3
Services	4,714	6,184	(1,470)	(23.8)
Purchased Transportation	4,077	3,912	165	4.2
Other Expenses:				
Utilities	1,369	1,137	232	20.4
Taxes	696	649	47	7.2
Claims and Insurance	440	276	164	59.4
Leases and Rentals	399	285	114	40.0
Interest Expense	0	53	(53)	(100.0)
Planning Study Expense	0	21	(21)	(100.0)
Miscellaneous	1,255	1,578	(323)	(20.5)
TOTAL	$71,776	$66,150	$5,626	8.5%

(continued)

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). In 2001, the Authority's union contract granted a 3% hourly wage rate increase to all represented employees. Merit raises for administrative staff averaged 3.5% in 2001. Additional staff was also added to accommodate expanded service.

Fringe Benefits consist primarily of vacation, sick and holiday pay, required Authority contributions to the Public Employees Retirement System (PERS) of Ohio, and employee medical benefits. Required employer contributions to PERS were made at the rate of 13.55% of total gross taxable wages in 2001. In 2001, a 2.5% "pickup" was contributed for represented employees and 3% for administrative employees. The increase in fringe benefits in 2001 is due to this increase in PERS pickup, rising medical costs, and increased staffing.

Materials and Supplies also include the Authority's diesel fuel expense. The two primary factors for the increase are an increase in fuel consumption and an increase in the purchase of bus repair parts due to the Authority's increased vehicle miles and vehicle hours.

Purchased Transportation expense is comprised of amounts paid to a private local contractor to provide the Authority's Project Mainstream service (door-to-door, service-on-demand in wheelchair lift-equipped minibuses for disabled riders). The 2001 increase was driven by a slightly higher average per-service-hour rate included in the fourth year of a five-year contract, and an increase in the number of service hours provided.

Services are provided by outside contractors to the Authority for a wide variety of professional, technical, consulting and maintenance needs. The decrease for 2001 is due to the completion of various technical projects.

Other Expenses consist primarily of utilities, taxes, interest, leases and rentals, claims and insurance and other miscellaneous expenses. Taxes are paid to the State on diesel fuel consumption at the rate of $0.22 per gallon, and real estate taxes are paid on non-exempt Authority property. Total diesel fuel taxes increased in 2001 due to increased fuel usage. Interest expense declined in 2001 as outstanding bond principal was retired in 2000. Leases and rentals are paid on the downtown COTA Connection customer service center, the COTA Business Development Division office on Lake Shore Drive, certain park-and-ride facilities, and miscellaneous equipment, and increased in 2001 because of higher lease costs for office space, and the leasing of additional office space. Claims and insurance expense increased due to unfavorable claims with our self-insurance program. The majority of the decrease in miscellaneous expense for 2000 was due to a decrease in recruitment costs. On page 15 is a graph of expenses, excluding depreciation, by object class as a percent of the total for the fiscal years ended December 31, 2001 and 2000.

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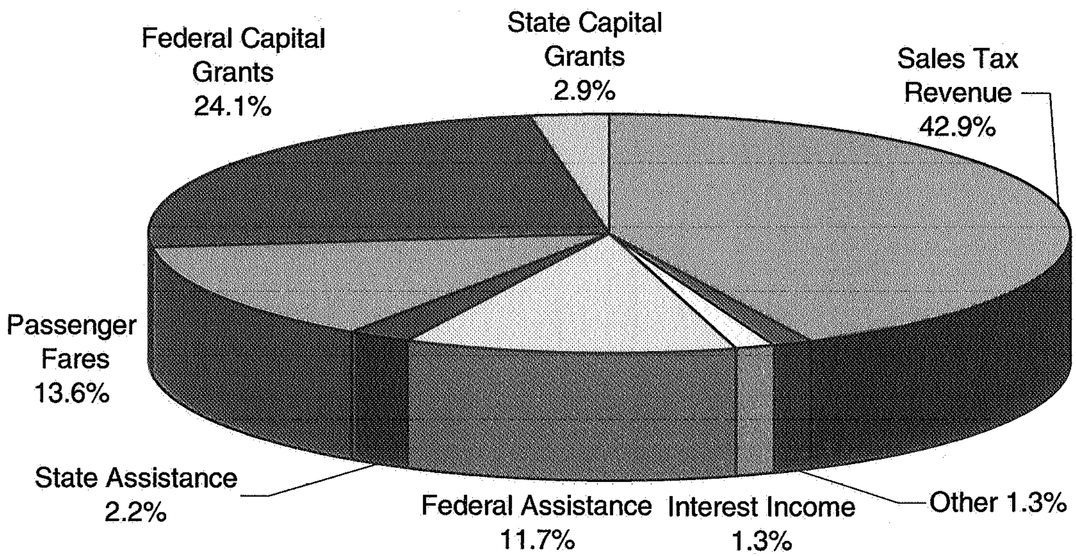
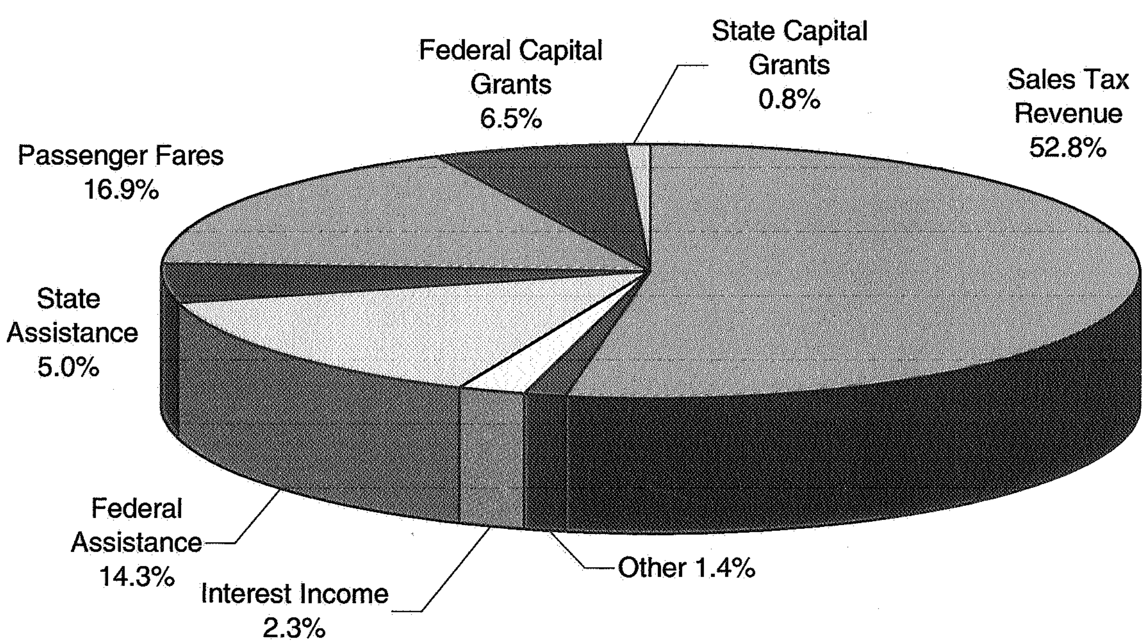
CENTRAL OHIO TRANSIT AUTHORITY
Revenues by Source

2001 Total Revenues
$97,411,440



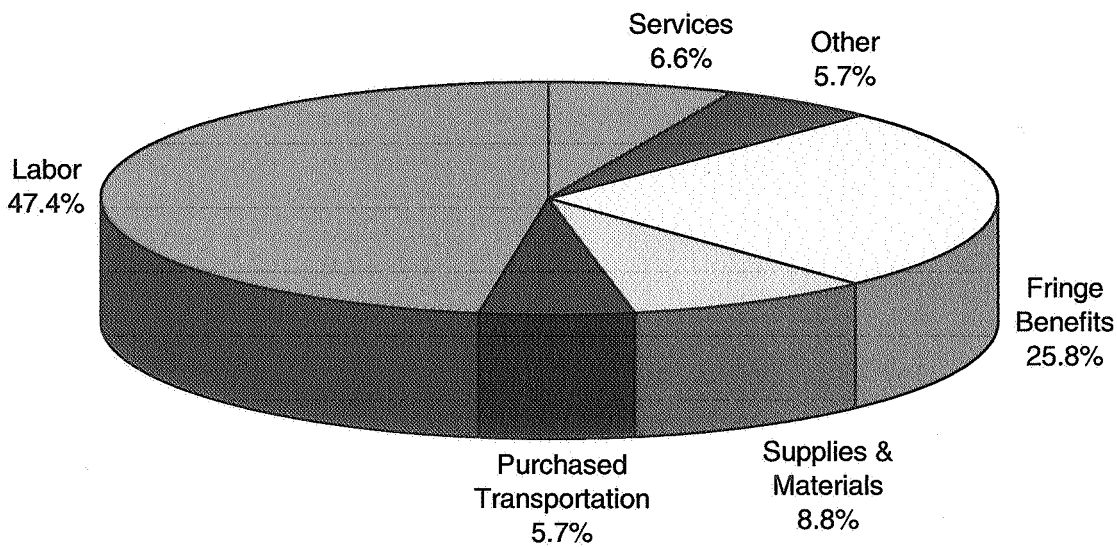
2000 Total Revenues
$78,643,939



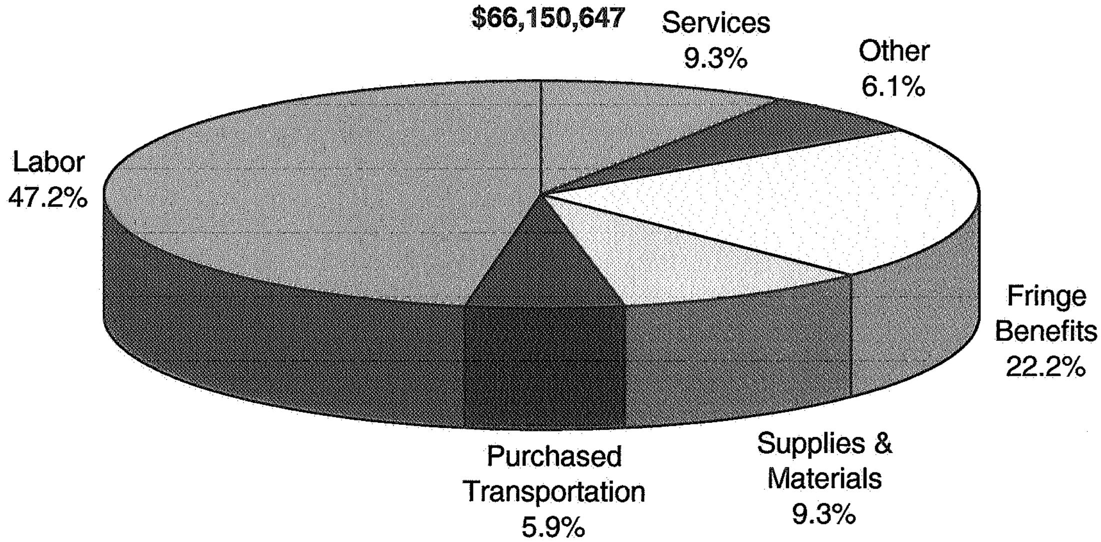
CENTRAL OHIO TRANSIT AUTHORITY

Expense by Object Class
(Excluding Depreciation)

2001 Total Expenses
$71,775,532



2000 Total Expenses
$66,150,647



The Authority's expenses, excluding depreciation, can also be classified by functional category and described as shown in the following table:

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

	2001	2000	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Transportation	$38,889	$37,278	1,611	4.3%
Vehicle Maintenance	11,945	10,991	954	8.7
Facilities Maintenance	4,872	4,749	123	2.6
General and Administrative	16,070	13,132	2,938	22.4
TOTAL	$71,776	$66,150	$5,626	8.5%

Transportation expenses are those direct costs incurred in operating the Authority's bus vehicles and paratransit minibuses (Project Mainstream) and include wages, salaries and fringe benefits for bus operators, supervisors, bus scheduling and fare collection personnel; diesel fuel and related state fuel taxes; bus system security services; and transportation services purchased from private contractors.

Vehicle Maintenance expenses include wages, salaries and fringe benefits for maintenance personnel and supervisors, and related materials and supplies consumed in the maintenance of all buses and service vehicles.

Facilities Maintenance expenses include wages, salaries and fringe benefits for maintenance and janitorial personnel and supervisors, and materials and supplies required for the upkeep of the Authority's two main facilities, two terminals, the transit center, 24 park-and-ride lots and 426 bus stop passenger shelter locations.

General and Administrative expenses consist of administrative personnel salaries and fringe benefits, utilities, public liability and property damage claims, contracted professional services, leases and rentals, interest expense, planning study expense, and miscellaneous expenses required to support all operational activities.

In general, fluctuations are consistent with those noted at the object level.

Financial Results - Retained Earnings

The Authority's loss before capital gifts and grants (including depreciation) for the year ended December 31, 2001, was $11,541,602. After including capital gifts and grants, the net increase in

(continued)

retained earnings was $14.8 million (from $64.0 million to $78.8 million).

Retirement Plans

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

Employees covered by PERS 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. In 2001, the Authority by contractual agreement paid 2% of the represented employees' required contribution and 3% of the administrative employees' contribution.

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

PERS was created by, and operates pursuant to, the Ohio Revised Code. The Ohio General Assembly could decide to amend the format of PERS 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 more than adequate to cover future operating costs. As of December 31, 2001, the maximum annual debt service charges permitted by law for new, unvoted debt issuance was $22.7 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

(continued)

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

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

Effective January 1, 1998, the Authority adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Pursuant to Statement No. 31, at December 31, 2001, 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, restricted assets in fiscal year 1987 to accumulate funds to satisfy catastrophic or extraordinary losses. The restricted assets as of December 31, 2001, were approximately $12.0 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 $393,401 at December 31, 2001, and is included as

(continued)

a liability in the accompanying balance sheet.

OTHER INFORMATION

Independent Audit

The Authority's independent certified public accounting firm of Deloitte & Touche LLP has rendered an unqualified audit report on the Authority's financial statements for the fiscal year ended December 31, 2001. 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 future years.

Acknowledgments

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

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

Ronald L. Barnes
President/CEO

Marion White
CFO/Vice President of Finance

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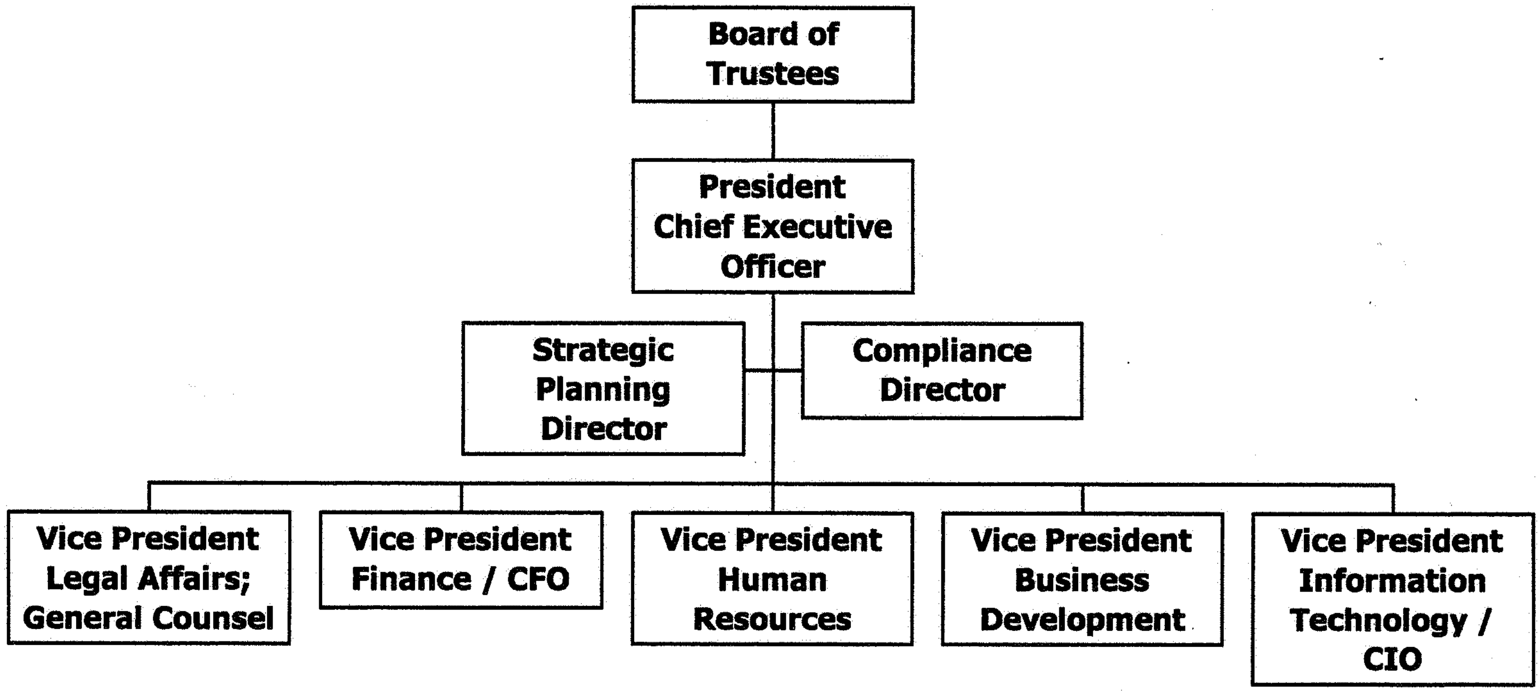
Central Ohio Transit Authority
Table of Organization



CENTRAL OHIO TRANSIT AUTHORITY
Board of Trustees and Administration

BOARD OF TRUSTEES

As of December 31, 2001

ADMINISTRATION

President / CEO	Ronald L. Barnes
Vice President, Finance / CFO	Marion White
Vice President, Operations	Carol E. Wise
Vice President, Business Development	Cheryl Lockhart
Vice President, Legal Affairs / General Counsel	Dan T. Pribich
Vice President, Human Resources	Barbara A. England
Vice President, Information Technology / CIO	Peter K. Anderson
Director, Strategic Planning	Nicholas D'Orsi (Interim)
Compliance Director	Carol L. Perkins

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, 2000

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

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

President

Executive Director

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FINANCIAL SECTION

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

Tel: (614) 221-1000
Fax: (614) 229-4647
www.us.deloitte.com

Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Central Ohio Transit Authority
Columbus, Ohio:

We have audited the accompanying balance sheet of Central Ohio Transit Authority (COTA) as of December 31, 2001, and the related statements of revenues, expenses and changes in equity and of cash flows for the year then ended. These financial statements are the responsibility of COTA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of COTA for the year ended December 31, 2001, before the restatement described in Note 2 to the financial statements, were audited by other auditors whose report, dated May 11, 2001, expressed an unqualified opinion on those statements.

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

In our opinion, such 2001 financial statements present fairly, in all material respects, the financial position of COTA as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note 2 that were applied to restate the 2000 financial statements to give retroactive effect to the change in the method of accounting for the adoption of GASB 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. In our opinion, such adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 10, 2002 on our consideration of COTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The statistical data presented on pages 43 - 58 is presented for the purpose of additional analysis and is not a required part of the financial statements of COTA. Such additional information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

May 10, 2002

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets
December 31, 2001 and 2000

ASSETS	2001	2000
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,329,754	$ 13,214,590
Receivables:		
Sales tax	11,312,175	11,042,565
Federal operating assistance	575,314	500,342
State operating assistance	1,002,550	3,132,826
Other	1,396,420	1,494,583
Inventory of materials and supplies	2,172,138	2,218,399
Other	783,975	508,114
Total	28,572,326	32,111,419
RESTRICTED ASSETS:		
Board restricted:		
Cash and cash equivalents	17,640,715	18,626,985
Total	17,640,715	18,626,985
Restricted for capital grants:		
Cash and cash equivalents	633,713	-
Federal capital grants receivable	1,024,266	4,663,183
State capital grants receivable	1,130,464	756,088
Total	2,788,443	5,419,271
PROPERTY AND EQUIPMENT:		
Cost	168,928,071	149,242,661
Less accumulated depreciation	(79,001,885)	(80,411,039)
Total	89,926,186	68,831,622
TOTAL ASSETS	$ 138,927,670	$ 124,989,297

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets (continued)
December 31, 2001 and 2000

LIABILITIES AND EQUITY	2001	2000
CURRENT LIABILITIES:		
Accrued payroll and fringe benefits	$ 6,217,385	$ 5,562,356
Accounts payable	2,900,408	4,236,111
Accrued payroll taxes	619,815	529,117
Estimated workers compensation claims	393,401	360,000
Other current liabilities	309,572	324,597
Current portion of capital lease obligation	-	137,162
Total	10,440,581	11,149,343
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Estimated claims payable	440,086	287,173
Capital expenses payable and other	70,161	13,262
Total	510,247	300,435
OTHER LIABILITIES:		
Deferred income - sale of tax leases	-	6,421
Capital lease obligation, less current portion	-	340,673
Total	-	347,094
Total liabilities	10,950,828	11,796,872
EQUITY:		
Contributed capital:		
Federal capital grants	45,272,359	45,272,359
State capital grants	3,012,158	3,012,158
Donated capital	942,000	942,000
Total	49,226,517	49,226,517
Retained earnings	78,750,325	63,965,908
Total equity	127,976,842	113,192,425
TOTAL LIABILITIES AND EQUITY	$ 138,927,670	$ 124,989,297

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Equity
Years ended December 31, 2001 and 2000

	2001	2000
OPERATING REVENUES:		
Passenger fares for transit service	$ 12,761,958	$ 12,778,848
Special transit fares	433,050	476,491
Charter service revenue	21,348	30,271
Auxiliary transportation revenue	887,105	879,924
Total	14,103,461	14,165,534
OPERATING EXPENSES OTHER THAN DEPRECIATION:		
Labor	34,036,782	31,217,553
Fringe benefits	18,503,633	14,694,477
Materials and supplies	6,285,013	6,143,013
Services	4,714,321	6,184,358
Purchased transportation	4,077,362	3,912,410
Utilities	1,369,117	1,137,506
Taxes	696,416	648,843
Advertising	638,110	701,205
Miscellaneous	616,454	876,779
Claims and insurance, net of settlements	439,789	275,846
Leases and rentals	398,535	284,641
Total	71,775,532	66,076,631
DEPRECIATION:	10,851,491	8,634,796
Total operating expenses	82,627,023	74,711,427
EXCESS OF OPERATING EXPENSES INCLUDING DEPRECIATION OVER OPERATING REVENUES	(68,523,562)	(60,545,893)
NONOPERATING REVENUES (EXPENSES):		
Sales tax revenues	41,748,046	41,543,193
Federal operating grants and reimbursements	11,388,826	11,210,604
State operating grants, reimbursements and special fare assistance	2,135,821	3,919,575
Interest income	1,309,535	1,780,766
Interest expense	-	(52,557)
Planning study assistance revenues	-	17,168
Planning study expense	-	(21,459)
Nontransportation and other revenue	399,732	252,116
Total	56,981,960	58,649,406
Loss before capital gifts and grants	(11,541,602)	(1,896,487)
Capital gifts and grants		
Federal capital grants	23,475,497	5,137,808
State capital grants	2,850,522	617,175
INCREASE (DECREASE) IN EQUITY *(carried forward to next page)*	$ 14,784,417	$ 3,858,496

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Equity (continued)
Years ended December 31, 2001 and 2000

		2001		2000
INCREASE (DECREASE) IN EQUITY *(brought forward from previous page)*	$	14,784,417	$	3,858,496
EQUITY, BEGINNING OF YEAR, AS RESTATED		113,192,425		109,333,929
EQUITY, END OF YEAR	$	127,976,842	$	113,192,425

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of operating expenses including depreciation over operating revenues	$ (68,523,562)	$ (60,545,893)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation expense	10,851,491	8,634,796
Change in assets and liabilities:		
Sales tax receivable	(269,609)	310,895
Accrued payroll and related taxes	745,730	333,924
Other nonoperating revenues, net	393,311	239,265
Estimated claims payable	186,314	184,302
Other receivables	98,166	(126,427)
Inventory	46,261	(592,617)
Accounts payable	(1,335,703)	1,402,207
Other current liabilities	(15,025)	38,433
Other assets	(275,862)	(371,338)
Total adjustments	10,425,074	10,053,440
Net cash used in operating activities	(58,098,488)	(50,492,453)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received	41,748,046	41,543,193
Federal operating assistance received	11,313,854	20,428,870
State operating and other assistance received	4,266,097	3,213,749
Federal planning study assistance received	-	25,593
Planning study expenditures	-	(21,459)
Net cash provided by noncapital financing activities	57,327,997	65,189,946
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal capital grants received	27,114,411	4,577,365
State capital grants received	2,476,145	414,010
Acquisition and construction of fixed assets	(32,366,993)	(11,292,802)
Repayment of bond principal	-	(1,360,000)
Interest paid on bonds payable and capital leases	-	(90,100)
Repayment of capital lease obligations	-	(252,680)
Net cash used in capital and related financing activities	(2,776,437)	(8,004,207)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	1,309,535	1,780,766
Net cash provided by investing activities	1,309,535	1,780,766
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,237,393)	8,474,052
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	31,841,575	23,367,523
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,604,182	$ 31,841,575
SUPPLEMENTAL INFORMATION:		
Equipment acquired under capital lease agreements	$ -	$ 275,000

See notes to financial statements.

(1) Organization and Reporting Entity

(a) Organization

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

Under Ohio law, the Authority is authorized to levy a sales and use tax for transit purposes, including both capital improvement and operating expenses, in 0.25% increments up to a maximum rate of 1.5% if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a sales and use tax is in addition to the sales and use taxes levied by the State of Ohio and Franklin County. On November 5, 1999, the voters of Franklin County approved a permanent 0.25% sales and use tax.

The Authority also has the power, under Section 306.40 of the Ohio Revised Code, to levy and collect both voted (after approval at an election) and unvoted ad valorem taxes on all the taxable property within the territorial boundaries of the Authority, in order to pay debt service on its bonds and notes issued in anticipation thereof. Ad valorem taxes were not levied during fiscal years 2001 and 2000.

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

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

(b) Reporting Entity

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

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

(continued)

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* the Authority follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

(b) Cash and Cash Equivalents

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

(c) Grants and Assistance

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

Grants for the acquisition of property and equipment are credited to contributed capital as the related qualified expenditures are incurred. Any grant cash received in advance of when all required eligibility requirements are met is deferred. Depreciation on fixed assets resulting from capital grants is allocated to contributed capital using the straight-line method over the same lives as described for the related property and equipment in note 2(g).

(d) Investments

Investments are reported at fair value, which is based on quoted market prices. As of December 31, 2001, Star Ohio was the only investment held by the Authority.

(e) Inventory of Materials and Supplies

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

(continued)

(f) Restricted Assets

Restricted assets consist of monies and other resources that are restricted by the Authority's Board of Trustees or capital grants for specified purposes. These restrictions are described below:

Board Restricted Assets – These assets are restricted for the payment of public liability claims under the Authority's self-insurance program and for future capital expenditures.

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

(g) Property and Depreciation

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

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

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

Assets acquired with capital grants are included in property and equipment and depreciation on those assets is included in the statements of revenues and expenses.

(h) Estimated Claims Payable

The Authority has a self-insurance program for public liability, personal injury, property damage and, as of July 1, 1998, worker's compensation (see note 8). 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.

(i) Compensated Absences

The Authority accrues vacation and sick pay benefits as earned by its employees.

(continued)

(j) Passenger Fares

Passenger fares are recorded as revenue at the time services are performed and revenues pass through the farebox.

(k) 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.

(l) 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.

(m) Nonexchange Transactions

Effective January 1, 2001, the Authority implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Nonexchange Revenues* (an amendment of GASB No. 33). In general, GASB Nos. 33 and 36 establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return.

The Authority's principal nonexchange transactions involve the receipt of federal, state and local grants for operating assistance as well as the acquisition of property, facilities and equipment. Substantially all of the Authority's grants are reimbursement-type grants, which are recorded as revenue in the period the related expenditures are incurred. Any grants received in advance of the period in which the related expenditures are incurred, are recorded as restricted assets and as deferred grant revenue until the expenditures are incurred.

(continued)

The principal change in accounting that resulted from GASB Statement No. 33 is the requirement that the Authority report capital grants as revenues rather than contributed capital. As part of the implementation of GASB Statement No. 33, the Authority also ceased its practice of closing depreciation expense recognized on assets funded through capital grants to contributed capital. As required under GASB Statement No. 33, the Authority has retroactively restated its general purpose financial statements as of and for the year ended December 31, 2000 for the change, which increased the Authority's contributed capital approximately $1 million and increased its retained deficit by a corresponding amount. The accounting change had no impact on the Authority's total equity or net loss before capital grant activity.

Additionally, in accordance with GASB No. 33, the Authority has recorded $11,353,460 in sales tax revenue receivable as of January 1, 2000. The restatement also decreased 2000 sales tax revenue by $310,895. For nonexchange transactions other than gifts, these statements required retroactive application. Accordingly, the Authority's retained earnings as of January 1, 2000 have been restated as follows:

Retained earnings, January 1, 2000	$48,753,952
Sales tax revenues	11,353,460
Retained earnings, January 1, 2001, restated	60,107,412
Contributed Capital, January 1, 2000	49,226,517
Total equity, January 1, 2000, restated	$109,333,929

(n) New Accounting Pronouncements

GASB recently issued Statements No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* No. 37, *Basic Financial Statements–and Management's Discussion and Analysis-for State and Local Governments: Omnibus,* and No. 38, *Certain Financial Statement Note Disclosures.* The Authority has not elected early implementation of these statements in 2001. The Authority is required to implement GASB Statements No. 34 by 2003. The Authority has not completed the process of evaluating the impact of adopting these statements, and therefore is unable to disclose the impact that adopting these statements will have on its financial position and results of operations when such statements are implemented.

(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.

(continued)

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, 2001.

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.

During 2001 and 2000, the Authority complied with the provisions of these statutes.

(a) Deposits With Financial Institutions

At December 31, 2001, the carrying amount of the Authority's deposits with financial institutions was $850,571 and the bank balance was $2,314,268. The difference results mainly from outstanding checks. In addition, the Authority had $6,923 of cash on hand. $200,000 was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the GASB) and $2,114,268 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

As of December 31, 2001 and 2000, the Authority held equity of $28,746,688 and $31,046,119 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.

(continued)

(4) Board Restricted Assets

Board restricted assets comprise the following:

	December 31, 2001	December 31, 2000
Restricted for self-insurance	$ 12,010,382	$ 11,762,869
Restricted for capital expenditures	5,630,333	6,864,116
Total Board restricted	$ 17,640,715	$ 18,626,985

(5) Property and Equipment

The cost of property and equipment is comprised of the following:

	December 31, 2001	December 31, 2000
Land	$ 5,168,315	$ 5,168,315
Land and leasehold improvements	9,060,744	9,033,854
Buildings and improvements	29,419,382	27,926,017
Revenue vehicles	79,786,380	64,758,070
Transit shelters and terminals	6,778,476	6,575,593
Other equipment	33,329,524	31,709,476
Construction in progress	5,385,250	4,071,336
	$ 168,928,071	$ 149,242,661

(6) Leases

COTA leases certain property and office equipment under operating leases. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2001:

	Commitments under Operating Leases
2002	$ 323,835
2003	373,533
2004	378,363
2005	375,715
2006	270,047
Thereafter	161,388
Total minimum lease payments	$ 1,882,881

(continued)

Rental expense for all operating leases was approximately $315,000 in 2001 and $268,000 in 2000.

(7) Grants, Reimbursements and Special Fare Assistance

Grants, reimbursements and special fare assistance included in the statements of revenues and expenses for the years ended December 31, 2001 and 2000, consist of the following:

	2001	2000
Federal:		
FTA Operating Assistance	$ 11,388,826	$ 11,210,604
State:		
ODOT Operating Assistance	$ 1,215,206	3,023,292
ODOT Elderly and Disabled Fare Assistance	304,152	300,920
ODOT Fuel Tax Reimbursement	616,463	595,363
Total	$ 2,135,821	$ 3,919,575

(8) Risk Management

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

COTA is self-insured for all public liability, personal injury and property damage claims. The estimated liability for such claims of $440,086 at December 31, 2001, and $287,173 at December 31, 2000, are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 2001, and 2000, $12,010,382 and $11,762,869, respectively, were restricted by the Board of Trustees to fund the self-insurance program. Such funds are included in board-restricted assets in the accompanying balance sheets.

Prior to June 30, 1998, COTA was insured through the State of Ohio Bureau of Workers' Compensation (BWC) for injuries to its employees. On July 1, 1998, the Authority entered into an agreement with the BWC to become self-insured for claims pertaining to work-related injuries to Authority employees occurring on or after that date. The BWC agreed to continue to administer and pay all compensation claims arising on or before June 30, 1998. The estimated liability for all such claims occurring since July 1, 1998 is $393,401 at December 31, 2001 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.

(continued)

A summary of changes in self-insurance claims liability for the years ended December 31, 2001 and 2000 follows:

		General Liability		Workers' Compensation
Claims liability at December 31, 1999	$	212,871	$	250,000
Incurred claims, net of favorable settlements		200,247		391,969
Claims paid		(125,945)		(281,969)
Claims liability at December 31, 2000	$	287,173	$	360,000
Incurred claims, net of favorable settlements		395,751		323,035
Claims paid		(242,838)		(289,634)
Claims liability at December 31, 2001	$	440,086	$	393,401

(9) Defined Benefit Pension Plan

(a) Plan Description

COTA contributes to the Public Employees Retirement System of Ohio (PERS), a cost sharing, and multiple-employer public employee retirement system. PERS 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 PERS Board of Trustees (Board). PERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling 614-466-2085 or 1-800-222-PERS (7377).

(b) Funding Policy

Plan members are required to contribute 8.5% of their annual covered salary and COTA is required to contribute an actuarially determined rate. The 2001 employer contribution rate for local government employer units was 13.55% of annual covered payroll. The Board instituted a temporary employer contribution rate rollback for calendar year 2000. The rate rollback was 20% for state and local government divisions. The 2000 rate units was 10.84% of covered payroll. The contribution requirements of plan members and COTA are established and may be amended by the Board. COTA's contributions to PERS for the years ending December 31, 2001, 2000, and 1999 were approximately $5,042,000, $3,774,000, and $4,400,000, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

(continued)

(c) *Other Post-employment Benefits*

PERS 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. As required by state statute, a portion of each employer's contribution to PERS is set aside for funding of the post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. The employer contribution rate was rolled back for the year 2000. For local government employer units, the 2001 rate was 13.55% (10.84% in 2000) of covered payroll; 4.30% was the portion that was used to fund health care for both years. COTA's contributions actually made to fund post-employment benefits was $1,600,100 in 2001 and $1,497,300 in 2000.

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

Summary of assumptions:

Actuarial Review – The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2000.

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

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

Investment Return – The investment assumption rate for 2000 was 7.75%.

Active Employee Total Payroll – An annual increase of 4.75% 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 4.75% base increase, were assumed to range from 0.54% to 5.1%.

Health Care – Health care costs were assumed to increase 4.75% annually.

OPEBs are advanced funded on an actuarially determined basis. The number of active participating participants at December 31, 2001, was 411,076. $11,735.9 million represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2000 (the latest date information is available). The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $14,364.6 million and $2,628.7 million, respectively.

(continued)

The Board enacted a temporary employer contribution rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for local government divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

(10) 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, 2001, 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, 2001, there were no material questioned costs that had not been resolved with appropriate federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of COTA's management, no material grant expenditures will be disallowed.

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

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Supplemental Schedule of Revenues, Expenses and Changes in Equity - Budget vs. Actual (Accrual Basis)
Year ended December 31, 2001

	BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE) VARIANCE
OPERATING REVENUES	$14,417,379	$14,103,461	$ (313,918)
OPERATING EXPENSES OTHER THAN DEPRECIATION:			
Labor	38,955,068	34,036,782	4,918,286
Fringe benefits	13,725,970	18,503,633	(4,777,663)
Materials and supplies	6,665,395	6,285,013	380,382
Purchased transportation	4,260,000	4,077,362	182,638
Services	5,715,884	4,714,321	1,001,563
Utilities	1,560,000	1,369,117	190,883
Taxes	779,208	696,416	82,792
Leases and rentals	470,000	398,535	71,465
Claims and insurance, net of settlements	640,000	439,789	200,211
Miscellaneous	1,600,000	1,254,564	345,436
Total	74,371,525	71,775,532	2,595,993
DEPRECIATION	8,731,143	10,851,491	(2,120,348)
Total operating expenses	83,102,668	82,627,023	475,645
EXCESS OF OPERATING EXPENSES INCLUDING DEPRECIATION OVER OPERATING REVENUES	(68,685,289)	(68,523,562)	161,727
NONOPERATING REVENUES (EXPENSES):			
Sales tax revenues	44,424,820	41,748,046	(2,676,774)
Federal operating grants and reimbursements	11,758,006	11,388,826	(369,180)
State operating grants, reimbursements and special fare assistance	4,098,254	2,135,821	(1,962,433)
Interest income	1,883,806	1,309,535	(574,271)
Interest expense	(32,000)	-	32,000
Planning study assistance revenues	-	-	-
Planning study expense	-	-	-
Nontransportation and other revenues	261,808	399,732	137,924
Total	62,394,694	56,981,960	(5,412,734)
Loss before capital gifts and grants	(6,290,595)	(11,541,602)	(5,251,007)
Federal capital grants earned	19,344,668	23,475,497	4,130,829
State capital grants earned	1,778,524	2,850,522	1,071,998
NET REVENUES OVER EXPENSES	14,832,597	14,784,417	(48,180)
NET CHANGE IN EQUITY	14,832,597	14,784,417	(48,180)
TOTAL EQUITY, DECEMBER 31, 2000, AS RESTATED	113,192,425	113,192,425	-
TOTAL EQUITY, DECEMBER 31, 2001	$128,025,022	$127,976,842	$ (48,180)

See accompanying Independent Auditors' report.

STATISTICAL SECTION

CENTRAL OHIO TRANSIT AUTHORITY
Revenues by Source
Last Ten Fiscal Years
(in thousands)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
OPERATING REVENUES:										
Passenger fares for transit service	$11,188	$10,448	$10,574	$10,607	$11,493	$12,143	$12,680	$12,795	$12,779	$12,762
Special transit fares	175	115	120	128	188	258	431	385	476	433
Charter service revenue	37	15	25	41	7	21	24	22	30	21
Auxiliary transportation revenue	472	467	503	889	952	814	939	983	880	887
Total operating revenues	11,872	11,045	11,222	11,665	12,640	13,236	14,074	14,185	14,165	14,103
NONOPERATING REVENUES:										
Sales tax revenues	23,325 (1)	25,780 (1)	28,210 (1)	30,550 (1)	32,004 (1)	34,699 (1)	36,804 (1)	40,911 (1)	41,543 (1)	41,748
Federal operating grants and reimbursements	4,340	4,376	4,438	3,930	2,105	3,426	1,920	9,727	11,211	11,389
State operating grants, reimbursements and special fare assistance	3,677	3,701	3,782	3,767	3,468	3,367	3,655	3,342	3,920	2,136
Investment income	967	837	1,005	1,309	1,334	1,476	1,686	1,528	1,781	1,310
Nontransportation and other revenues	529	438	219	175	342	255	185	142	252	400
Experience Refund from Bureau of Workers' Compensation (BWC)	-	-	-	-	-	-	2,022	-	-	-
Planning study assistance revenues	-	171	1,221	145	155	46	55	30	17	-
Total nonoperating revenues before capital gifts and grants	32,838	35,303	38,875	39,876	39,408	43,269	46,327	55,680	58,724	56,983
Capital gifts and grants:										
Federal capital grants	2,360	13,524	2,283	17,238	2,453	2,378	3,312	9,386	5,138	23,475
State capital grants	89	1,431	1	322	54	152	34	876	617	2,850
Transfer of local share on capital funding earned	500	2,045	558	3,957	-	-	-	-	-	-
Donated capital	-	-	-	-	-	-	-	942	-	-
TOTAL REVENUES	$47,659	$63,348	$52,939	$73,058	$54,555	$59,035	$63,747	$81,069	$78,644	$97,411

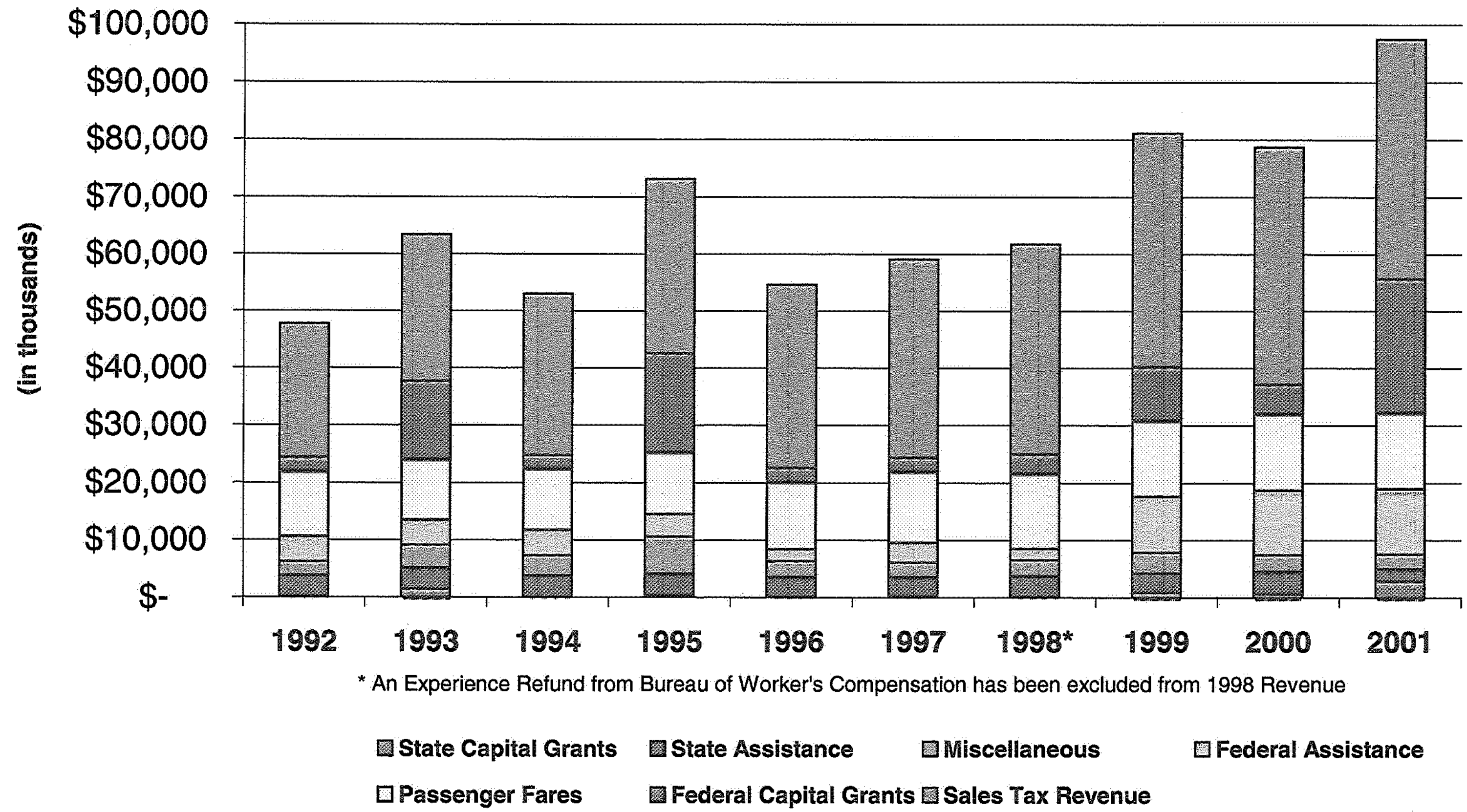
Amounts are presented in accordance with generally accepted accounting principles, on an accrual basis

Source: The Authority's independently audited annual financial statements

(1) : Sales Tax Revenue is restated from 1992 to 2000 due to changes in the recording of the revenue when earned, rather than when payment is received.

CENTRAL OHIO TRANSIT AUTHORITY

Revenues by Source
Last Ten Fiscal Years



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

TRANSPORTATION INDUSTRY (1)

	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL
YEAR	PASSENGER	OTHER	TOTAL	STATE & LOCAL	FEDERAL	TOTAL	ALL REVENUES
1992	36.4	3.8	40.2	54.1	5.7	59.8	100.0
1993	36.8	4.4	41.2	53.2	5.6	58.8	100.0
1994	37.6	12.6 (2)	50.2	44.7 (2)	5.1	49.8	100.0
1995	37.3	15.4	52.7	42.8	4.5	47.3	100.0
1996	38.7	15.3	54.0	42.9	3.1	46.0	100.0
1997	40.1	15.6	55.7	41.3	3.0	44.3	100.0
1998	40.8	15.2	56.0	40.1	3.9	44.0	100.0
1999	37.3	16.4	53.7	42.4	3.9	46.3	100.0
2000	36.1	17.4	53.5	42.4	4.1	46.5	100.0
2001	*	*	*	*	*	*	*

CENTRAL OHIO TRANSIT AUTHORITY (3)

	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL
YEAR	PASSENGER	OTHER (4)	TOTAL	STATE & LOCAL (6)	FEDERAL	TOTAL	ALL REVENUES
1992	23.9	10.3	34.2	56.7	9.1	65.8	100.0
1993	16.7	29.9	46.6	46.5	6.9	53.4	100.0
1994	20.3	10.9	31.2	60.4	8.4	68.8	100.0
1995	14.7	32.9	47.6	47.0	5.4	52.4	100.0
1996	21.4	9.7	31.1	65.0	3.9	68.9	100.0
1997	21.0	8.7	29.7	64.5	5.8	70.3	100.0
1998	21.3	10.1 (5)	31.4	65.5	3.1	68.6	100.0
1999	16.3	17.1	33.4	54.6	12.0	66.6	100.0
2000	16.9	11.0	27.9	57.8	14.3	72.1	100.0
2001	13.6	29.7	43.3	45.0	11.7	56.7	100.0

* Information not available

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

(2) Beginning in 1994, other local government subsidies such as bridge and tunnel tolls and non-transit parking lot fees were reclassified from "local operating assistance" to "other revenue"

(3) Percentages are derived from the Authority's independently audited annual financial statements, restated from 1992 to 2000 due to changes in the recording of local sales tax revenue and the recognition of capital grants and gifts as revenues

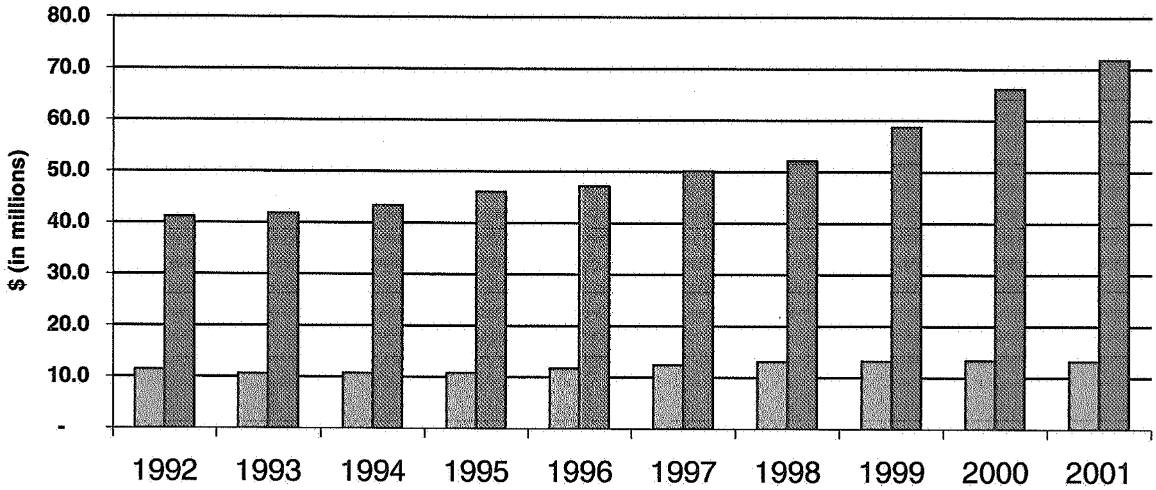
(4) Includes auxiliary transportation revenues, interest income, planning study assistance revenue, nontransportation, other revenues and capital grants

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

(6) Includes local sales tax revenues, and state operating grants, reimbursements, and special fare assistance

CENTRAL OHIO TRANSIT AUTHORITY

Farebox Revenues vs. Operating Expenses
Last Ten Fiscal Years

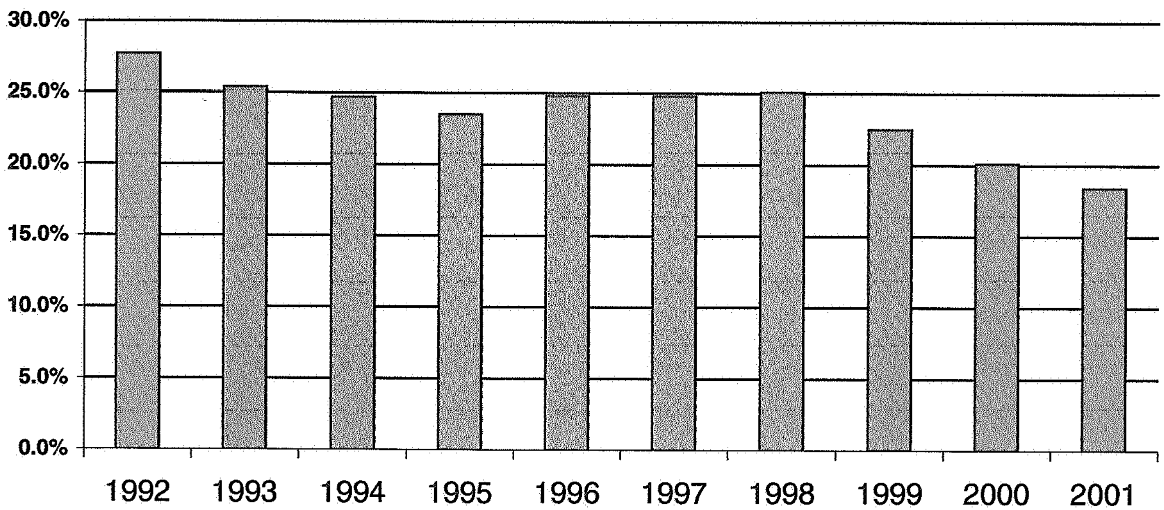


Farebox revenues include passenger, special transit, and charter revenues; operating expenses exclude depreciation

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)

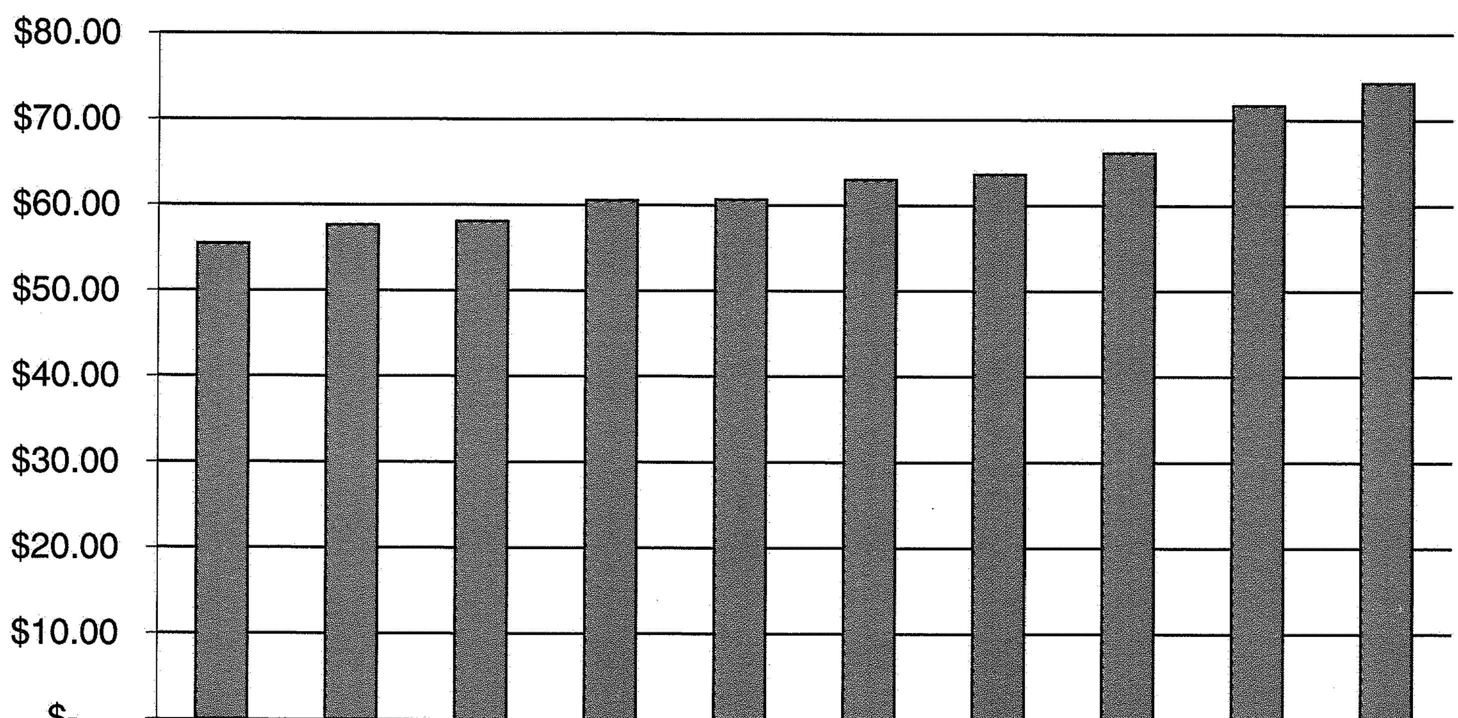
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
OPERATING EXPENSES OTHER THAN DEPRECIATION:										
Labor	$20,712	$20,999	$21,973	$22,920	$23,968	$24,729	$26,551	$28,518	$31,218	$34,037
Fringe benefits	10,353	10,332	11,024	12,296	12,117	13,579	12,790	14,233	14,694	18,504
Services	2,017	2,270	2,440	2,458	2,237	2,413	2,913	5,003	6,184	4,714
Materials and supplies	4,235	4,023	3,664	3,761	3,760	3,641	3,855	4,311	6,143	6,285
Utilities	866	793	851	862	1,062	887	892	970	1,137	1,369
Claims and insurance	9	554	324	248	(72)	106	99	224	276	440
Taxes	522	524	540	546	576	569	594	635	649	696
Purchased transportation	1,412	1,472	1,637	1,922	2,469	2,942	3,023	3,268	3,912	4,077
Leases and rentals	137	83	119	120	211	161	151	132	285	399
Miscellaneous	821	727	755	912	787	1,090	1,275	1,392	1,578	1,255
Total	41,084	41,777	43,327	46,045	47,115	50,117	52,143	58,686	66,076	71,776
DEPRECIATION	8,230	8,962	7,810	7,801	8,176	7,370	7,750	8,252	8,635	10,851
Total operating expenses	49,314	50,739	51,137	53,846	55,291	57,487	59,893	66,938	74,711	82,627
NONOPERATING EXPENSES:										
Interest expense	529	527	501	437	370	298	221	140	53	-
Planning study expense	-	191	1363	181	193	58	68	37	21	-
TOTAL EXPENSES	$49,843	$51,457	$53,001	$54,464	$55,854	$57,843	$60,182	$67,115	$74,785	$82,627

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



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Expense per Vehicle Hour	$55.49	$57.65	$58.09	$60.56	$60.69	$63.03	$63.65	$66.18	$71.71	$74.37

Operating expenses exclude depreciation

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

TRANSPORTATION INDUSTRY (1)

YEAR	LABOR AND FRINGES	SERVICES	MATERIALS AND SUPPLIES	UTILITIES	CLAIMS AND INSURANCE	PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
1992	71.4	5.4	9.1	3.6	3.3	9.6	(2.5)	100.0
1993	71.1	5.3	8.9	3.6	3.4	10.4	(2.6)	100.0
1994	70.7	4.7	8.9	3.6	3.4	10.9	(2.3)	100.0
1995	71.1	4.8	9.0	3.5	2.9	10.8	(2.1)	100.0
1996	71.6	5.1	9.3	3.6	2.8	9.9	(2.3)	100.0
1997	72.2	5.6	9.4	3.7	2.7	9.1	(2.7)	100.0
1998	71.7	6.0	9.4	3.5	2.4	10.1	(3.1)	100.0
1999	70.9	5.9	9.2	3.3	2.2	11.5	(3.0)	100.0
2000	69.8	5.7	10.0	3.2	2.2	12.2	(3.1)	100.0
2001	*	*	*	*	*	*	*	*

CENTRAL OHIO TRANSIT AUTHORITY (3)

YEAR	LABOR AND FRINGES	SERVICES	MATERIALS AND SUPPLIES	UTILITIES	CLAIMS AND INSURANCE	PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
1992	75.6	4.9	10.3	2.1	0.0	3.5	3.6	100.0
1993	75.0	5.5	9.6	1.9	1.3	3.5	3.2	100.0
1994	76.2	5.6	8.4	2.0	0.7	3.8	3.3	100.0
1995	76.5	5.3	8.2	1.9	0.5	4.2	3.4	100.0
1996	76.6	4.8	8.0	2.3	(0.2)	5.2	3.3	100.0
1997	76.4	4.8	7.3	1.8	0.2	5.9	3.6	100.0
1998	75.4	5.6	7.4	1.7	0.2	5.8	3.9	100.0
1999	72.8	8.5	7.3	1.7	0.4	5.6	3.7	100.0
2000	69.5	9.4	9.3	1.7	0.4	5.9	3.8	100.0
2001	73.2	6.6	8.8	1.9	0.6	5.7	3.3	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, 2001
(in thousands)

CALCULATION OF LEGAL OVERALL DEBT MARGIN:

Total assessed property valuation of Authority (2001 tax year valuation) (1)	$22,705,244
Multiplied by: Legal overall debt limitation (%)	5.00%
Equals: Total legal voted and unvoted debt limitation	1,135,262
Less: Nonexempt general obligation debt (voted and unvoted) (2)	0
Equals: Legal overall debt margin (maximum amount permitted for new voted and unvoted nonexempt general obligation debt issuances)	$1,135,262

CALCULATION OF LEGAL UNVOTED DEBT MARGIN:

Total assessed property valuation of Franklin County (2001 tax year valuation) (1)	$22,705,244
Multiplied by: Legal unvoted debt limitation (%)	0.10%
Equals: Legal unvoted debt limitation	22,705
Less: Maximum aggregate amounts of principal and interest payable in any one calendar year (2)	0
Equals: Legal unvoted debt margin (maximum annual debt service charges permitted for new unvoted nonexempt general obligation debt issuances)	$22,705

Sources:

(1) Franklin County Auditor's Office

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

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

YEAR	POPULATION		ASSESSED VALUE (3)	GENERAL BONDED DEBT (4)	RATIO OF BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
1992	988,783	(2)	$14,060,575,663	$7,990,000	0.06%	$8.08
1993	1,001,354	(2)	$15,374,617,834	$7,965,000	0.05%	$7.95
1994	1,014,465	(2)	$15,672,478,794	$7,025,000	0.04%	$6.92
1995	1,027,599	(2)	$16,055,247,822	$6,030,000	0.04%	$5.87
1996	1,042,011	(2)	$17,356,432,082	$4,970,000	0.03%	$4.77
1997	1,056,654	(2)	$17,916,289,322	$3,840,000	0.02%	$3.63
1998	1,067,002	(2)	$18,607,708,184	$2,640,000	0.01%	$2.47
1999	1,079,204	(2)	$21,032,111,000	$1,360,000	0.01%	$1.26
2000	1,068,978	(1)	$22,321,127,505	$0	0.00%	$0.00
2001	1,071,524	(1)	$22,705,244,424	$0	0.00%	$0.00

Sources:

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

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

(3) Franklin County Auditor's Office

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

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

YEAR	REVENUES (1)	CAPITAL GRANTS & GIFTS	EXPENSES (2)	NET REVENUE OVER EXPENSES AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS (3) PRINCIPAL	INTEREST	TOTAL	DEBT COVERAGE RATIO
1992	$47,659,078 (4)	$2,950,008	$41,084,415	$3,624,655	$10,000	$528,666	$538,666	6.73
1993	$63,347,710 (4)	$16,999,231	$41,967,604	$4,380,875	$25,000	$528,087	$553,087	7.92
1994	$52,938,990 (4)	$2,842,174	$44,690,175	$5,406,641	$940,000	$526,650	$1,466,650	3.69
1995	$73,058,141 (4)	$21,516,748	$46,226,053	$5,315,340	$995,000	$464,610	$1,459,610	3.64
1996	$54,555,395 (4)	$2,506,711	$47,308,852	$4,739,832	$1,060,000	$398,940	$1,458,940	3.25
1997	$59,034,746 (4)	$2,529,386	$50,174,869	$6,330,491	$1,130,000	$328,980	$1,458,980	4.34
1998	$63,747,021 (4)	$3,346,323	$52,212,282	$8,188,416	$1,200,000	$254,400	$1,454,400	5.63
1999	$81,068,790 (4)	$11,204,322	$58,723,178	$11,141,290	$1,280,000	$174,900	$1,454,900	7.66
2000	$78,643,939 (4)	$5,754,983	$66,098,090	$6,790,866	$1,360,000	$52,557	$1,412,557	4.81
2001	$97,411,440	$26,326,019	$71,775,532	($690,111)	$0	$0	$0	N/A

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

Source: The Authority's independently audited financial statements

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

(2) Total expenses exclude depreciation and interest expense

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

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

CENTRAL OHIO TRANSIT AUTHORITY
Computation of Direct and Overlapping Debt
December 31, 2001

(in 000's)

POLITICAL SUBDIVISION	GROSS GENERAL OBLIGATION DEBT	—APPLICABLE TO THE AUTHORITY— PERCENTAGE (1)	DOLLAR AMOUNT
Central Ohio Transit Authority	$ 0	100.00 %	0
Franklin County	159,537	100.00	159,537
Cities wholly within Franklin County	63,376	100.00	63,376
Cities with overlapping jurisdictions:			
City of Columbus	1,363,615	98.04	1,336,888
City of Dublin	61,468	86.37	53,090
City of Pickerington	14,870	0.57	85
City of Reynoldsburg	23,836	75.50	17,996
City of Westerville	37,325	77.48	28,919
Villages wholly within Franklin County	17,402	100.00	17,402
Village with overlapping jurisdiction:			
Village of Canal Winchester	5,269	92.48	4,873
Townships wholly within Franklin County	4,282	100.00	4,282
Township with overlapping jurisdiction:			
Washington Township	1,980	86.89	1,720
School Districts wholly within Franklin County	73,476	100.00	73,476
School Districts with overlapping jurisdictions:			
Canal Winchester Local	33,239	75.10	24,962
Dublin City	168,416	85.11	143,339
Hilliard City	79,412	99.99	79,404
Licking Heights Local	24,584	40.02	9,839
Madison Plains Local	50	3.11	2
Olentangy Local	56,356	0.15	85
Pickerington Local	100,845	2.06	2,077
Plain Local	47,649	99.98	47,639
Reynoldsburg City	17,947	78.04	14,006
South-Western City	191,372	99.83	191,047
Teays Valley Local	22,885	0.10	23
Westerville City	137,846	71.97	99,208
Delaware County Joint Vocational	415	0.08	0
Eastland Joint Vocational	420	64.28	270
Licking County Joint Vocational	931	3.69	34
Library with overlapping jurisdiction:			
Delaware County District Library	2,280	0.09	2
TOTAL:			$ 2,373,581

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

(1) Percentages were determined by dividing the assessed valuation of the portion of the jurisdiction within Franklin County by the total assessed valuation of the entire jurisdiction. Valuations used are the 2001 tax year.

CENTRAL OHIO TRANSIT AUTHORITY
Operating Statistics
Last Ten Fiscal Years

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
SYSTEM RIDERSHIP (1)										
Motor bus	18,068,524	16,606,796	18,023,895	17,532,795	17,553,264	17,762,583	18,326,115	18,790,187	18,742,704	18,388,361
Demand responsive	77,597	82,818	90,282	100,974	101,801	106,125	106,398	120,959	132,083	145,472
AVERAGE WEEKDAY SYSTEM RIDERSHIP (1)										
Motor bus	61,004	56,671	61,663	60,583	59,993	61,183	62,410	64,152	64,195	62,727
Demand responsive	274	295	320	363	360	377	377	430	448	494
VEHICLE MILES OPERATED (1)										
Motor bus	9,488,639	9,186,608	9,493,744	9,524,653	9,699,757	9,663,430	10,192,042	10,857,075	11,071,394	11,733,569
Demand responsive	887,428	1,007,359	1,097,648	1,224,252	1,367,784	1,651,280	1,612,679	1,657,429	1,972,276	2,261,162
AVERAGE WEEKDAY VEHICLE MILES OPERATED (1)										
Motor bus	31,528	30,883	31,982	32,007	32,481	32,360	34,667	36,554	37,611	39,685
Demand responsive	3,147	3,606	3,934	4,457	4,901	5,790	5,648	5,812	6,815	7,658
REVENUE MILES (1)										
Motor bus	7,835,470	7,513,683	7,782,654	7,798,315	7,938,033	7,887,056	8,323,748	8,837,544	8,976,194	9,613,569
Demand responsive	723,599	794,297	888,689	1,000,743	1,134,584	1,328,320	1,314,432	1,376,978	1,794,407	1,910,178
PASSENGER MILES (1)										
Motor bus	85,842,515	87,720,583	84,557,756	73,622,749	71,654,194	70,436,988	73,676,286	77,630,395	74,871,624	73,620,822
Demand responsive	638,321	692,915	738,604	884,662	1,052,776	991,220	993,803	1,197,628	1,137,037	1,210,873

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

(continued on next page)

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

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
VEHICLE HOURS OPERATED (1)										
Motor bus	685,413	665,702	681,421	688,191	697,136	701,934	727,710	793,260	806,190	838,841
Demand responsive	54,944	58,921	64,391	72,082	79,221	93,220	91,490	96,238	116,232	126,211
VEHICLE REVENUE HOURS (1)										
Motor bus	615,143	601,399	611,447	617,900	626,187	631,904	654,377	713,514	723,458	754,911
Demand responsive	46,206	49,837	54,812	62,025	68,857	78,304	79,515	83,043	100,346	108,908
DIESEL FUEL CONSUMPTION (IN GALLONS) (1)	2,486,911	2,401,843	2,367,318	2,391,932	2,520,895	2,346,910	2,511,320	2,818,479	2,539,085	2,780,251
FLEET REQUIREMENTS (DURING PEAK HOURS) (1)										
Motor bus	255	252	257	255	256	252	258	266	277	282
Demand responsive	17	18	19	20	30	32	32	36	36	36
TOTAL REVENUE VEHICLES DURING PERIOD (1)										
Motor bus	351	345	344	402	370	325	312	321	322	346
Demand responsive	25	31	24	26	41	38	38	43	43	43
NUMBER OF EMPLOYEES (2)	737	727	730 (1)	723 (1)	683 (1)	710 (1)	747 (1)	796 (1)	815	843

Source:

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

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

CENTRAL OHIO TRANSIT AUTHORITY
Fare Rate Structure
December 31, 2001

CASH OR TICKET FARES:		
Express	$	1.50
Local and crosstown		1.10
Project Mainstream (1)		1.50
COTA LINK (2)		0.25
Transfer		0.10
DAY PASSES (3):		
Adult (4)	$	2.50
Human Service Agency (5)		2.00
Children 7-12 years, Senior Discount Card (6), Key Card (7) or ADA Card (8)		1.25
MONTHLY PASSES:		
Express	$	50.00
Local		37.00
Project Mainstream (1)		50.00
Senior Discount Card (6), Key Card (7), or ADA Card (8)		16.50
SPECIAL FARES:		
Children 7-12 years, Senior Discount Card (7), Key Card (7) or ADA Card (8)	$	0.55
Children under 7 years		FREE
S.C.O.T. (9)		2.20

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

(2) Midday shuttle-type service

(3) Good for one day of unlimited travel on all local/crosstown routes

(4) Additional $0.40 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

Source: *COTA, 2001 Short Range Transit Plan,* published by the Authority

CENTRAL OHIO TRANSIT AUTHORITY
Demographic Statistics
Last Ten Fiscal Years

YEAR	POPULATION (1)		PER CAPITA INCOME (3)	MEDIAN AGE (4)		K - 12 SCHOOL ENROLLMENT (6)	UNEMPLOYMENT RATE (7)
1992	988,783		20,786	31.4		168,486	4.6%
1993	1,001,354		21,739	32.3		173,030	4.5%
1994	1,014,465		22,959	32.6		174,459	3.7%
1995	1,027,599		24,943	33.0		177,296	3.0%
1996	1,042,011		25,959	33.0	(5)	181,386	2.9%
1997	1,056,654		26,647	33.0	(5)	183,351	2.7%
1998	1,067,002		29,425	32.9	(5)	188,704	2.5%
1999	1,079,204		23,059	32.9		190,857	2.5%
2000	1,068,978	(2)	*	32.5		192,794	2.4%
2001	1,071,524		*	*		197,731	2.8%

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 Bureau of Employment Services

CENTRAL OHIO TRANSIT AUTHORITY
Miscellaneous Statistics
As of, or for, the Year ended December 31, 2001

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	Franklin County Sales Tax - 1/4% (permanent)
Size of Authority	543 square miles
Miles of route	946
Number of routes	65
Number of bus stop locations	4,851
Number of bus stop passenger shelters	426
Number of Park-and-Ride facilities	24
Parking capacity, all Park-and-Ride facilities	2,204 automobiles
Number of active fleet buses	338
Average bus vehicle age	5.4 years
Average system speed	13.99 miles per hour
Average system fuel economy	5.03 miles per gallon
Number of customer information calls received	1,042,084

COTA

Administrative Offices & Bus Facility
1600 McKinley Avenue
Columbus, Ohio 43222
614-275-5800

Light Maintenance & Storage Facility
1333 Fields Avenue
Columbus, Ohio 43201

COTA Connection
60 East Broad Street
Columbus, Ohio 43215
614-228-1776

STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

CENTRAL OHIO TRANSIT AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 30, 2002