

CENTRAL OHIO TRANSIT AUTHORITY

Financial Statements

December 31, 1999 and 1998

(With Independent Auditors' Report Thereon)



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

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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 KPMG LLP for the audit period January 1, 1999 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

August 15, 2000

CENTRAL OHIO TRANSIT AUTHORITY

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Independent Auditors' Report on the Financial Statements

The Board of Trustees
Central Ohio Transit Authority
Columbus, Ohio:

We have audited the balance sheets of the Central Ohio Transit Authority (COTA) as of December 31, 1999 and 1998 and the related statements of revenues, expenses and changes in equity and cash flows for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COTA as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2000 on our consideration of COTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts and grants.

KPMG LLP

June 1, 2000

CENTRAL OHIO TRANSIT AUTHORITY

Balance Sheets

December 31, 1999 and 1998

Assets	1999	1998
Current assets:		
Cash and cash equivalents	\$ 774,986	1,632,511
Receivables:		
Federal operating assistance	9,718,608	—
State operating assistance	2,427,000	2,673,081
Other	1,368,156	778,571
Inventory of materials and supplies	1,625,782	1,449,447
Other	138,413	453,637
	<u>16,052,945</u>	<u>6,987,247</u>
Restricted assets –		
Board restricted:		
Cash and cash equivalents	22,592,537	12,495,187
Investments	—	13,747,802
Accrued interest	—	302,756
	<u>22,592,537</u>	<u>26,545,745</u>
Restricted for capital grant expenditures:		
Cash and cash equivalents	—	3,746,819
Federal capital grants receivable	4,111,166	821,269
State capital grants receivable	552,923	34,229
	<u>4,664,089</u>	<u>4,602,317</u>
Property and equipment:		
Cost	143,390,287	127,400,057
Less accumulated depreciation	<u>(77,230,796)</u>	<u>(69,273,915)</u>
	<u>66,159,491</u>	<u>58,126,142</u>
Total	<u>66,159,491</u>	<u>58,126,142</u>
Total assets	<u>\$ 109,469,062</u>	<u>96,261,451</u>

See accompanying notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY

Balance Sheets

December 31, 1999 and 1998

Liabilities and Equity	1999	1998
Current liabilities:		
Current portion of capital lease obligations	\$ 147,843	143,739
Accounts payable	2,833,904	1,239,005
Accrued payroll and fringe benefits	5,136,840	4,647,522
Accrued payroll taxes	620,709	1,315,365
Accrued interest payable	37,543	72,878
Estimated workers' compensation claims	250,000	120,000
Other current liabilities	286,164	370,126
Total	9,313,003	7,908,635
Liabilities payable from restricted assets:		
Current portion of bonds payable	1,360,000	1,280,000
Estimated claims payable	212,871	203,276
Capital expenditures payable and other	280,713	82,126
Total	1,853,584	1,565,402
Other liabilities:		
Bonds payable, less current portion	—	1,360,000
Deferred income – sale of tax leases	19,273	32,121
Capital lease obligation, less current portion	302,733	158,272
Total	322,006	1,550,393
Total liabilities	11,488,593	11,024,430
Contributed capital:		
Federal grants	45,272,359	41,905,403
State grants	3,012,158	2,506,517
Donated capital	942,000	—
Total	49,226,517	44,411,920
Retained earnings	48,753,952	40,825,101
Total equity	97,980,469	85,237,021
Total liabilities and equity	\$ 109,469,062	96,261,451

CENTRAL OHIO TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Equity

Years ended December 31, 1999 and 1998

	1999	1998
Operating revenues:		
Passenger fares for transit service	\$ 12,795,123	12,679,572
Special transit fares	384,650	431,504
Charter service revenue	21,507	24,406
Auxiliary transportation revenue	983,160	939,054
	<u>14,184,440</u>	<u>14,074,536</u>
Operating expenses other than depreciation:		
Labor	28,518,217	26,551,118
Fringe benefits	14,232,678	12,790,407
Materials and supplies	4,310,930	3,854,570
Purchased transportation	3,267,644	3,023,008
Services	5,003,091	2,913,181
Utilities	970,031	892,157
Taxes	635,113	593,828
Leases and rentals	132,498	151,265
Claims and insurance, net of settlements	224,176	98,845
Miscellaneous	1,391,509	1,275,328
	<u>58,685,887</u>	<u>52,143,707</u>
Depreciation:		
On assets acquired with contributed capital	6,389,725	6,398,665
On assets acquired with authority resources	1,862,157	1,351,168
	<u>8,251,882</u>	<u>7,749,833</u>
Total operating expenses	<u>66,937,769</u>	<u>59,893,540</u>
Excess of operating expenses including depreciation over operating revenues	(52,753,329)	(45,819,004)
Nonoperating revenues (expenses):		
Sales tax revenues	39,700,653	36,042,732
Federal operating grants and reimbursements	9,726,749	1,919,920
State operating grants, reimbursements and special fare assistance	3,341,855	3,655,120
Investment income	1,527,817	1,685,714
Interest expense	(139,565)	(221,275)
Planning study assistance revenues	29,833	54,860
Planning study expense	(37,291)	(68,575)
Experience refund from the Ohio Bureau of Workers' Compensation	—	2,022,040
Nontransportation and other revenues	142,404	184,955
	<u>54,292,455</u>	<u>45,275,491</u>
Net revenues over/(under) expense	<u>1,539,126</u>	<u>(543,513)</u>

(Continued)

CENTRAL OHIO TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Equity, Continued

Years ended December 31, 1999 and 1998

	1999	1998
Net revenues over/(under) expense	1,539,126	(543,513)
Addback of depreciation expense (on assets acquired with contributed capital) closed to contributed capital	\$ <u>6,389,725</u>	<u>6,398,665</u>
Increase in retained earnings	7,928,851	5,855,152
Retained earnings, beginning of year	<u>40,825,101</u>	<u>34,969,949</u>
Retained earnings, end of year	<u>48,753,952</u>	<u>40,825,101</u>
Contributed capital, beginning of year	44,411,920	47,464,262
Capital contributed:		
Federal capital grants	9,386,291	3,312,094
State capital grants	876,031	34,229
Donated capital	942,000	—
Amortization of contributed capital (equal to the depreciation on assets acquired with contributed capital):		
Federal capital grants	(6,019,335)	(6,044,770)
State capital grants	(370,390)	(353,895)
Contributed capital, end of year	<u>49,226,517</u>	<u>44,411,920</u>
Total equity, end of year	<u>\$ <u>97,980,469</u></u>	<u><u>85,237,021</u></u>

See accompanying notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY

Statement of Cash Flows

Years ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Excess of operating expenses including depreciation over operating revenues	\$ (52,753,329)	(45,819,004)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation expense	8,251,882	7,749,833
Federal planning study assistance received	24,403	51,864
Planning study expenditures	(31,860)	(67,275)
Other nonoperating revenues, net	121,415	2,144,305
Change in assets and liabilities:		
Other receivables	(595,653)	411,705
Inventory	(176,335)	21,389
Other assets	308,672	(4,677)
Accounts payable	1,594,899	283,597
Accrued payroll and related taxes	(205,338)	396,149
Other current liabilities	(83,962)	11,625
Estimated claims payable	139,595	86,838
	9,347,718	11,085,353
Total adjustments		
Net cash used in operating activities	(43,405,611)	(34,733,651)
Cash flows from noncapital financing activities:		
Sales taxes received	39,700,653	36,042,732
Federal operating assistance received	14,209	1,802,279
State operating and other assistance received	3,596,077	3,637,128
	43,310,939	41,482,139
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Federal capital grants received	6,101,824	2,825,230
State capital grants received	357,337	—
Proceeds from disposals of fixed assets	—	6,129
Acquisition and construction of fixed assets	(14,750,276)	(4,122,083)
Repayment of bond principal	(1,280,000)	(1,200,000)
Interest paid on bonds payable and capital leases	(174,900)	(254,400)
Repayment of capital lease obligations	(244,682)	(207,453)
	(9,990,697)	(2,952,577)
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Proceeds from maturities of investments	13,665,000	8,000,000
Interest received from investments	1,913,375	1,608,381
Purchases of investments	—	(4,009,118)
	15,578,375	5,599,263
Net cash used in investing activities		
Net increase in cash and cash equivalents	5,493,006	9,395,174
Cash and cash equivalents, beginning of year	17,874,517	8,479,343
Cash and cash equivalents, end of year	\$ 23,367,523	17,874,517
Non-cash financing activities:		
Equipment acquired under capital lease obligations	300,000	280,000

See accompanying notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 1999 and 1998

(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 .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 sale and use taxes levied by the State of Ohio and Franklin County. On November 7, 1989, the voters of Franklin County approved a 0.25% sales and use tax that expires on February 1, 2000.

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 1999 and 1998.

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.

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Notes to Financial Statements

December 31, 1999 and 1998

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

(2) Summary of Significant Accounting Policies

(a) *Basis of Accounting*

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

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

(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 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 prior to the incurrence of related qualified expenditures 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).

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Notes to Financial Statements

December 31, 1999 and 1998

(d) Investments

Prior to January 1, 1998, investments were carried at cost and were adjusted for the amortizations of premiums and accretions of discount, over the lives of the related securities, which were recognized as adjustments to investment income.

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, 1998, investments are carried at fair value, which is based on quoted market prices. As of December 31, 1999, StarOhio 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.

(f) Restricted Assets

Restricted assets consist of monies and other resources which 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 claims under the Authority's self-insurance program, for future capital expenditures, and current portion of bonds payable.

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 which 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:

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

CENTRAL OHIO TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 1999 and 1998

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 9). 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. An actuary was not used in determination of these liabilities.

(i) *Sale of Tax Leases*

Cash received from the sale of tax leases has been deferred and is recognized as income on the straight-line basis over the lives of the related assets. To take advantage of certain tax benefits available under section 168(F)(8) of the Internal Revenue Code, prior to December 31, 1987, the Authority entered into four sale-and-leaseback agreements with third parties. These third parties purchased the rights to the local share portion of certain buses from COTA for cash consideration and are leasing the buses back to the Authority. Two such agreements expired in 1996, 1997 and 1998. The other leaseback agreement expires in 2001.

(j) *Compensated Absences*

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

(k) *Passenger Fares*

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

(l) *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.

(m) *Use of Estimates*

The accounting and reporting policies of COTA conform to generally accepted accounting principles (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.

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Notes to Financial Statements

December 31, 1999 and 1998

(n) Governmental Accounting Standards Board Statement Nos. 33 and 34

This report does not incorporate GASB Statement Nos. 33 and 34, *Recipient Reporting for Certain Shared Nonexchange Revenues* and *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, respectively. The Authority will adopt and implement these GASB Statements at the required time. The Authority has not completed the process of evaluating the impact of adopting these statements, and therefore is unable to disclose the impact that adapting 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 is 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 investment pool (STAR Ohio), and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

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 110% 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 1999 and 1998, the Authority complied with the provisions of these statutes.

(a) Deposits With Financial Institutions

At December 31, 1999, the carrying amount of the Authority's deposits with financial institutions was \$45,144 and the bank balance was \$109,050. In addition, the Authority had \$6,130 of cash on hand. Of the bank balance, all \$109,050 was insured by Federal Deposit Insurance Corporation (Category 1 as defined by the Governmental Accounting Standards Board).

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Notes to Financial Statements

December 31, 1999 and 1998

At December 31, 1998, the carrying amount of the Authority's deposits with financial institutions was \$1,046,517 and the bank balance was \$1,059,407. In addition, the Authority had \$6,200 of cash on hand. Of the bank balance, \$200,000 was insured by Federal Deposit Insurance Corporation (Category 1 as defined by the Governmental Accounting Standards Board). The remaining bank balance cash deposits were uninsured and uncollateralized and were held in the name of COTA's pledging financial institution, as required by the Ohio Revised Code (Category 3).

(b) Investments and Other Deposits

The Authority's investments are detailed below and categorized in accordance with the criteria established by the GASB to give an indication of the level of risk assumed as of December 31, 1999 and 1998. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

As of December 31, 1999, the Authority held equity of \$23,316,249 in STAROhio, which is not required to be categorized due to its nature.

As of December 31, 1998:

<u>Description</u>	<u>Category</u>			<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Treasury Notes and federal agency obligations	\$ <u>—</u>	<u>—</u>	<u>13,747,802</u>	\$ 13,747,802
Equity in the state treasurer's Investment pool (STAROhio)				<u>16,821,800</u>
				<u>\$ 30,569,602</u>

CENTRAL OHIO TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 1999 and 1998

(4) Board Restricted Assets

Board restricted assets comprise of the following:

	December 31,	
	1999	1998
Restricted for self-insurance:		
Cash and cash equivalents	\$ 11,411,946	1,054,596
Investments	—	9,720,927
Accrued interest	—	290,222
Total	11,411,946	11,065,745
Restricted for capital expenditures:		
Cash and cash equivalents	9,820,591	10,160,591
Investments	—	4,026,875
Accrued interest	—	12,534
Total	9,820,591	14,200,000
Restricted for bond retirement –		
Cash and cash equivalents	1,360,000	1,280,000
Total board restricted	\$ 22,592,537	26,545,745

(5) Property and Equipment

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

	December 31,	
	1999	1998
Land	\$ 5,168,315	4,190,514
Land and leasehold improvements	8,862,408	8,685,321
Buildings and improvements	27,730,695	27,200,087
Revenue vehicles	67,961,219	61,127,627
Transit shelters and terminals	6,509,746	6,399,050
Other equipment	24,894,029	19,596,464
Construction in progress	2,263,875	200,994
	\$ 143,390,287	127,400,057

The construction in progress includes funds committed to the purchase of buses and transit vehicles funded primarily through federal and state capital assistance.

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Notes to Financial Statements

December 31, 1999 and 1998

(6) Leases

COTA leases certain property and office equipment under capital and 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, 1999:

	Commitments under Capital	Operatin g
	lease	leases
2000	\$ 173,258	29,787
2001	173,258	27,871
2002	149,373	15,838
2003	—	5,622
2004	—	—
	495,889	\$ <u>37,004</u>
Total minimum lease payments		
	(45,313)	
Less amount representing interest		
	\$ <u>450,576</u>	
Present value of minimum lease payments under capitalized lease		

The interest rate for the capital lease is approximately 6.6% at December 31, 1999. Rental expense for all operating leases was approximately \$92,000 in 1999 and \$151,000 in 1998.

(7) Bonds Payable

Bonds payable consist of capital improvement bonds issued to acquire, construct, improve, replace, extend and enlarge transit facilities within the territorial boundaries of the Authority. The bonds are general obligations of the Authority and bear interest at a weighted average annual rate of approximately 6.6%.

The annual requirements to pay principal and interest on the bonds outstanding at December 31, 1999 are as follows:

Year	Principal	Interest	Total
2000	\$ <u>1,360,000</u>	<u>90,100</u>	<u>1,450,100</u>

CENTRAL OHIO TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 1999 and 1998

(8) 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, 1999 and 1998 consist of the following:

	1999	1998
Federal:		
FTA Operating Assistance	\$ 9,718,608	373,955
FTA Reimbursement of Bus Overhaul Expenses	—	1,505,299
City of Newark—Pass-Through Operating Assistance from FTA	8,140	40,666
Total	\$ 9,726,749	1,919,920
State:		
ODOT Operating Assistance	\$ 2,429,652	2,743,278
ODOT Elderly and Disabled Fare Assistance	291,096	307,276
ODOT Fuel Tax Reimbursement	586,710	553,869
ODOT “Paving-the-Way” Reimbursement	34,398	50,697
Total	\$ 3,341,855	3,655,120

(9) 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 \$212,876 at December 31, 1999 and \$203,276 at December 31, 1998 are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 1999 and 1998, \$11,411,946 and \$11,065,745, respectively, has been restricted by the Board of Trustees to fund the self-insurance program. Such funds are included in board-restricted assets in the December 31, 1999 and 1998 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 \$250,000 at December 31, 1999 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 works compensation liability was determined by analyzing claim lag information provided by COTA third party administrators.

CENTRAL OHIO TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 1999 and 1998

A summary of changes in self-insurance claims liability for the years ended December 31, 1999 and 1998 follows:

	General liability	Workers' Compensation
Claims liability at December 31, 1997	\$ 236,438	—
Incurred claims, net of favorable settlements	55,051	144,585
Claims paid	(88,213)	(24,585)
Claims liability at December 31, 1998	203,276	120,000
Incurred claims, net of favorable settlements	194,666	145,462
Claims paid	(185,071)	(15,462)
Claims liability at December 31, 1999	\$ 212,871	250,000

(10) Defined Benefit Pension Plan

(a) Plan Description

COTA contributes to the Public Employees Retirement System of Ohio (PERS), a cost sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments 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. PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215 or by calling 614-266-2085 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 current rate is 13.55% of annual covered payroll. The contribution requirements of plan members and COTA are established and may be amended by PERS Board of Trustees. COTA's contributions to PERS for the years ending December 31, 1999, 1998, and 1997 were approximately \$4,400,000, \$4,125,000, and \$3,845,000, respectively, equal to the required contributions for each year.

CENTRAL OHIO TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 1999 and 1998

(c) Other Postemployment Benefits

PERS also provides postemployment health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such restraints. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit 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 postemployment health care. The ORC provides statutory authority for employer contributions to be used for the funding of postemployment health care. COTA's contributions actually made to fund postemployment benefits was \$1,363,800 in 1999 and \$1,279,000 in 1998.

Other postemployment benefits (OPEB) are financed through employer contributions and investment earnings thereon (i.e. pay as you go). The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB for PERS as a whole during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285.641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

(11) 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, 1999, 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.

CENTRAL OHIO TRANSIT AUTHORITY

Notes to Financial Statements

December 31, 1999 and 1998

(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, 1999, 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.

CENTRAL OHIO TRANSIT AUTHORITY

Reports Issued Pursuant to the
OMB Circular A-133

December 31, 1999

CENTRAL OHIO TRANSIT AUTHORITY

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Two Nationwide Plaza
Columbus, OH 43215

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**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Trustees
Central Ohio Transit Authority:
and
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, 1999, and have issued our report thereon dated June 1, 2000. We conducted our audit in accordance with generally accepted auditing standards 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*.

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. However, we noted a certain matter involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect COTA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-2.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

We noted other matters involving the internal control over financial reporting that we have reported to management of COTA in a separate letter dated June 1, 2000.

This report is intended solely for the information and use of the board and management of COTA, the Ohio Auditor of State, and the Federal Transit Administration and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 1, 2000



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Columbus, OH 43215

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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program, Internal Control Over
Compliance in Accordance with OMB Circular A-133 and
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, 1999. COTA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 of compliance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (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 each of its major federal programs for the year ended December 31, 1999. However, the results of our auditing procedures disclosed one instance of non-compliance with those requirements, which is 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 99-1.

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 the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with 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 financial statements of COTA as of and for the year ended December 31, 1999, and have issued our report thereon dated June 1, 2000. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the board and management of COTA, the Auditor of the State of Ohio and the Federal Transit Administration and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

June 1, 2000

CENTRAL OHIO TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

Year ended December 31, 1999

	Federal CFDA number	Grant number	Federal grant award	Accrued revenue at December 31, 1999	Cash receipts	Total Federal accrued revenue at January 1, 1999	Expenditures/ grant revenue recognized	Net local share	Net project costs
U.S. Department of Transportation Federal Transit Cluster: Capital and Operating Assistance Formula Grants	20.507								
Received directly from Federal Transit Administration			\$ 4,431,200	—	38,218	—	38,218	9,555	47,773
			5,021,700	5,162	19,534	5,829	18,867	4,716	23,583
			5,979,000	1,934	282,219	—	284,153	71,038	355,191
			5,880,000	—	275,403	97,384	178,022	44,505	222,527
			5,153,820	18,624	190,393	22,187	186,830	46,596	233,426
			5,666,505	48,150	1,967,088	419,042	1,596,196	399,049	1,995,245
			13,554,611	9,762,528	98,630	—	9,861,158	2,465,290	12,326,448
			275,000	—	16,281	6,068	10,213	10,213	20,426
Pass-through the City of Newark			45,961,836	9,836,398	2,887,766	550,510	12,173,657	3,050,962	15,224,619
Capital Improvement Grants Received directly from Federal Transit Administration	20.500		400,000	8,426	24,403	2,995	29,834	7,457	37,291
Pass-through Ohio Department of Transportation			3,000,000	84,869	383,508	273,832	194,545	(9,912)	194,633
			3,800,000	1,759,670	1,974,110	—	3,733,780	933,445	4,667,225
			2,704,000	563,927	872,696	—	1,436,623	359,156	1,795,779
			3,455,345	1,576,370	—	—	1,576,370	197,175	1,773,545
			13,359,345	3,993,262	3,254,717	276,827	6,971,152	1,487,321	8,468,473
Total federal financial assistance			\$ 59,321,181	13,829,660	6,142,483	827,337	19,144,809	4,538,283	23,693,092

See accompanying independent auditors' report.

See accompanying notes to the Schedule of Expenditures of Federal Awards

CENTRAL OHIO TRANSIT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 1999

(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.

(4) Subrecipients

COTA had one subrecipient, the Mid-Ohio Regional Planning Commission (MORPC), in the current year. COTA paid MORPC \$37,291 in the current year through CFDA# 20.500, grant number OH-03-0149.

CENTRAL OHIO TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the year ended December 31, 1999

(1) Summary of Auditor's 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:	See 99-2
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:	See 99-1
(g) Major programs: Federal Transit Cluster (CFDA #20.507 and 20.500)	
(h) Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
(i) Auditee qualified as low-risk auditee under Section .530 of OMB Circular A-133:	Yes

CENTRAL OHIO TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the year ended December 31, 1999

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

(99-2) Reportable Condition over Financial Reporting

COTA experienced difficulties and is still experiencing difficulties in the following areas:

- 1) Bank account reconciliations for the months of October through December 1999 were not performed in a timely manner nor prior to the commencement of our audit work in February 2000. As of the date of this letter bank reconciliations were still incomplete for the months of January through May 2000.
- 2) Federal reporting for grant reimbursements have been behind. The total year end receivable balance for grants was in excess of \$13 million.

The aforementioned difficulties demonstrated a lack of monitoring controls over the financial accounting and reporting processes.

COTA Response:

During 1999, COTA experienced employee turnover due to internal restructuring. The Authority has recently hired a new chief financial officer, and is in the process of reviewing its internal operating practices and procedures to ensure compliance with sound accounting principles is maintained. Mitigating controls and circumstances related to each of the specific concerns identified above are discussed below.

- 1) Bank Account Reconciliations – We concur with this concern, however compensating controls were utilized to minimize the potential for errors and any material impact on the financial statements. COTA utilizes 3 bank accounts, including 2 zero balance (clearing) accounts for the distribution of accounts payable and payroll checks. The 2 clearing accounts comprise the vast majority disbursement transactions, and are funded by single “lump sum” distributions from the master account based on control totals. All three accounts were reconciled to zero as of December 31, 1999. In addition, cash handling functions are segregated between three individuals to ensure appropriate checks and balances are maintained.
- 2) Federal Reporting for Grant Reimbursements – \$9.7 million of the \$13 million receivable is for COTA’s TEA-21 funds. 1999 was the first year of the Federal Government’s new Transportation Equity Act of the 21st Century (TEA-21). COTA applied for these funds in early February 1999, and was notified of our award in late April. The funds however, were not available for “drawdown” through the Federal system until mid to late August. COTA filed for

CENTRAL OHIO TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the year ended December 31, 1999

these funds in November, and received payment of \$9.6 million in early January 2000 with the balance paid in February. The remaining \$3.3 million is related to the receipt of federal funds administered through the Ohio Department of Transportation. These funds include State participation on major facility projects. Receipt of these funds from the State of Ohio has been delayed due to processing issues between the State and the Federal Government, over which COTA has no control.

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

(99-1) Finding over Inventory of Capital Assets: Federal Transit Administration Grants

Criteria:

Recipients of Federal Funding from the Federal Transit Administration program are required to perform physical inventories of capital assets every two years.

Condition:

COTA failed to complete a physical asset inventory in the current year. The most recent physical asset inventory was performed in 1997.

Questioned Costs:

None

Effect:

The ability of COTA to properly update asset records has been diminished.

Cause:

Due to recent turnover, and current lack of understanding of Federal regulations by current staffing, the completion of the physical asset inventory was overlooked in the current year.

Recommendation:

We recommend COTA revisit the requirements associated over the Federal awards to ensure they are complying with all necessary requirements.

COTA Response:

We concur with this recommendation. This concern was identified in a triennial review conducted on behalf of the Federal Transit Administration. COTA is working with the regulatory agency and has submitted a plan to have this inventory completed by August 31.



Comprehensive Annual Financial Report



For the
fiscal year
ended
December 31,
1999

CENTRAL OHIO TRANSIT AUTHORITY
Franklin County, Ohio

Comprehensive
Annual Financial Report
For the Fiscal Year Ended
December 31, 1999

Prepared by:
Finance Division
Charlene S. Powell, Vice President-Finance/CFO

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Comprehensive Annual Financial Report
For the Fiscal Year ended December 31, 1999**

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INTRODUCTORY

SECTION

LETTER OF TRANSMITTAL



Central Ohio Transit Authority
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Columbus, OH 43222-1093
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Web Site: www.cota.com

Board of Trustees

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Craig A. Thomas

June 1, 2000

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

President/CEO

Ronald L. Barnes

The Comprehensive Annual Financial Report (CAFR) of the Central Ohio Transit Authority (the Authority) for the fiscal year ended December 31, 1999 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 which 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, 1998. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Central Ohio Transit Authority has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended 1989 - 1998). The Authority believes its current CAFR continues to conform to the Certificate of Achievement program requirements, and the Authority is submitting it to the GFOA.

(continued)

LETTER OF TRANSMITTAL

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, 1998.

Financial Section - includes the Independent Auditors' Report, the financial statements (with related footnotes) for the fiscal years ended December 31, 1999 and 1998, and a supplemental schedule disclosing actual revenues, expenses and changes in equity for the fiscal year ended December 31, 1999, compared to budgeted amounts.

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

REPORTING ENTITY

General

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

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

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

(continued)

LETTER OF TRANSMITTAL

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.

177 South High Street in downtown Columbus opened in 1988 and houses the Customer Service Center and the Customer Information Center. The Customer Service Center 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. The Customer Information Center 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).

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 twelve express routes use the terminal to serve passengers in the north downtown area.

City Center Terminal is a 41,000 square foot facility which was completed and opened for service in November 1989. The terminal is located in the downtown City Center Parking Garage between Rich and Main Streets. Elevators and escalators provide pedestrian and disabled access to the terminal from all floors in the City Center Mall. Presently twenty-one express routes use the terminal.

Linden Transit Terminal is a 20,500 square foot facility located at the corner of Cleveland and 11th avenues that was opened for service in October 1999. The transit center houses a medical center, a daycare center, and a bank, as well as other amenities and will be the focal point for expanded COTA services to be added in 2000.

(continued)

LETTER OF TRANSMITTAL

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 the portions of Delaware, Fairfield and Licking Counties that are included within the municipal corporation limits of Columbus, Westerville and Reynoldsburg. This service includes 66 fixed bus routes which are comprised of 24 local routes (including 3 link routes), 12 cross-town routes, 30 express routes. The span of service provided on these fixed routes is from 4:30 a.m. to 1:15 a.m. on weekdays, 5:00 a.m. to 2:45 a.m. on Saturdays, and 6:30 a.m. to 11:15 p.m. on Sundays and holidays. The Authority estimates that it will provide approximately 849,000 vehicle hours of fixed route bus service in 2000 which will result in approximately 11,847,000 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 2000, it will provide approximately 1,695 vehicle hours and 23,645 vehicle miles of SCOT service, and 100,036 vehicle hours and 1,750,627 vehicle miles of Project Mainstream (door-to-door, on-demand) service with wheelchair lift-equipped minibuses.

Management - Board of Trustees

The Authority is managed by a Board of Trustees (the "Board") which is 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 or, in the case of Franklin County, 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 senior administrative personnel are selected by the President. A Table of Organization depicting the key functional responsibilities is shown on Page 21 of this Introductory Section.

(continued)

LETTER OF TRANSMITTAL

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 1995 estimates from the U. S. Census Bureau, this combined area's population is 1,474,040, with Franklin County's population of 1,011,019 making it the MSA's largest county in terms of population.

Franklin County is served by diverse transportation facilities. Interstate Highway I-270 forms an outerbelt surrounding Columbus; 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 trucklines serve the MSA. Major airports include Port Columbus International and Rickenbacker Port Authority (an air-freight/cargo facility converted from a former Air Force base). Port Columbus proceeded with plans to extend a second runway to enhance the airport's desirability as a regional hub. Two small municipal airports also serve general and light aviation.

Franklin County has experienced rapid growth in recent years. Construction of a massive retail/entertainment complex at Easton on the northeast side was completed in 1999. Further commercial and office development is continuing in western Columbus (Mill Run), northern Columbus (Polaris) and southeast Franklin County (Rickenbacker). This new development will only reinforce the current trend of further economic growth around the outer edges of the region instead of the central core.

Population

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

<u>Year</u>	<u>Columbus</u>	<u>Franklin County</u>
1960	471,316	682,923
1970	540,025	833,249
1980	565,032	869,126
1990	632,910	961,437

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.

(continued)

LETTER OF TRANSMITTAL

<u>Year</u>	<u>Average Unemployment in Franklin County</u>	<u>Average Unemployment Rate</u>		
		<u>Franklin County</u>	<u>Ohio</u>	<u>U.S.</u>
1995	549,200	3.0%	4.8%	5.6%
1996	552,900	2.9	4.9	5.4
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

Source: Ohio Bureau of Employment Services

Housing and Building Permits

According to U. S. Bureau of Census figures, the median value in 1990 (the most recent data available) 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 1980 and 1990, the number of housing units in Franklin County increased 16.8%, from 347,230 to 405,418.

Economic Outlook

Franklin County has continued to strengthen its position as a regional economic center, as Columbus is the most populous city in Ohio and is the only major municipality in the state still experiencing population growth. This is attributable to Columbus' aggressive annexation policies, a pro-growth economic emphasis in city government and new job creation that has exceeded labor force growth. The local economy has also undergone significant diversification, with new job creation continuing to shift to non-manufacturing areas of employment. 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 in the suburbs. This trend is expected to continue into the future, with the MSA population projected to exceed 1.8 million by the year 2010.

MAJOR INITIATIVES

The year 1999 brought several "firsts" to COTA including the passage of COTA's first permanent sales tax levy; the opening of COTA's first transit center; and the introduction of COTA's first low-floor buses. It was also a commemorative year with the celebration of COTA's 25th anniversary and the 10th anniversary of COTA's City Center Terminal.

(continued)

LETTER OF TRANSMITTAL

A Look at 1999

25th Anniversary

COTA celebrated 25 years of providing transportation services in Central Ohio. A special illustrated 25th anniversary bus was unveiled to mark the milestone. This silver anniversary bus, bearing the 25th anniversary logo, traveled throughout Franklin County providing free service.

OSU

In January, students at The Ohio State University overwhelmingly voted to renew the COTA GO BUS! program. The referendum vote was a condition of the original agreement in 1997, giving students an opportunity to decide whether or not to continue the partnership between COTA and OSU. A total of 7,931 students voted with a 90 percent yes vote – the largest voter turnout in the history of OSU for any type of election.

The yes vote allows OSU students to continue utilizing all COTA service on an unlimited basis by showing their Buck ID Card. Students pay just \$9 per quarter to participate.

CCAD Partnership

In an effort to continue building relationships throughout the community, COTA began a new partnership with the Columbus College of Art & Design (CCAD) in the fall. Like the OSU GO BUS! program, each CCAD student pays a nominal fee each semester to ride on COTA any time.

Linden Transit Center

October marked a major achievement as COTA opened its first transit center. The Linden Transit Center, located at the corner of Cleveland and 11th avenues, anchors the Four Corners development project in the Linden area. The 20,500 square foot transit center houses a medical clinic, day care center, and bank along with other amenities. The center will be the focal point for additional COTA service to come on line in 2000.

New Buses

Twenty-eight, low-floor NOVA buses were introduced to the COTA fleet in 1999. The buses feature a new sleek design with larger windows and more comfort and visibility for COTA passengers. The new low-floor design means no steps for passengers to negotiate when entering or exiting the bus, a wider aisle, and more headroom inside the bus.

(continued)

LETTER OF TRANSMITTAL

City Center Terminal

COTA celebrated the 10th anniversary of its City Center Terminal in November. The facility opened in 1989 as a convenient location for riders to board express buses. Today 21 routes and 120 buses operate weekdays out of the terminal taking about 1,000 people a day to and from locations all over Franklin County.

Permanent Funding

In November 1999, Franklin County voters approved the first permanent sales tax ever to fund COTA. Two sales tax issues were placed on the ballot. The first was a ¼ percent permanent sales tax to renew COTA's 10-year sales tax, and the second was an additional ¼ percent 10-year sales tax to help fund expanded bus service and commuter rail. Voters approved the ¼ percent permanent tax levy. The additional ¼ percent tax levy for expanded bus service and commuter rail failed.

This permanent funding will help COTA secure more federal funding and provide the stability needed to make ongoing service improvements. While the second levy for expanded bus service and the introduction of rail service failed, COTA is taking aggressive steps to implement major service improvements when funding becomes available.

Focus 005

COTA developed a five-year strategic plan called Focus 005. Seven strategic goals serve as the foundation for the plan:

1. **Economic** – COTA's number one goal is to enhance the economy of Central Ohio by using resources wisely, responding to community needs, and improving service.
2. **Environmental** – COTA will improve air quality by promoting COTA as an environmentally friendly way to travel and as a catalyst for responsible growth. The downtown Arena Terminal, currently in design stages, will reduce ride time and allow partnerships with additional employers, gaining even more new riders. COTA will expand service and partnerships by building a transit terminal at Easton. And long range, COTA will continue exploring the possibilities of, and laying the groundwork for rail service in Central Ohio. This additional transit service will give more customers an alternative to sitting in traffic.
3. **Safety** – Informing the public that COTA is a safe form of transportation. COTA plans to improve driver training and monitoring programs, update security plans, and expand relationships with area law enforcement agencies and private sector security staffs.

(continued)

LETTER OF TRANSMITTAL

4. **Social/Mobility** – Respond to the needs of a diverse community by expanding service for the aging, economically and physically challenged, and disadvantaged citizens. One way to do this is to make any necessary changes to COTA’s vehicles, and work with municipalities to improve sidewalks and curbs – all to ensure everyone can get on and off buses safely. Yet another way we plan to improve access to the community is by implementing a mobility management program to educate people about transit options (and provide or broker multiple forms of transit) for getting people to work or other important destinations.
5. **Political/Legislative** – Influence the creation of transit-friendly development policies, funding, and laws at all levels of government. COTA strives to become the coordinator of all transportation services in the region. In addition, COTA will pursue an increased share of city, state, and federal money to fund major capital improvements such as additional buses, use of technology, transfer locations, and service.
6. **Technology** – Continued use of technology to enhance operations and safety, and to communicate with customers. COTA will expand its Internet presence, up-grade the bus tracking and communication system, and continue to improve data systems. COTA sees technology as a key component of reliable, efficient transit service.
7. **Organizational/Cultural** – Establish COTA as an organization with high-performing employees who focus on serving customers. As do many progressive, private-sector companies, COTA plans to reward employees based on initiative and performance. Additionally, COTA will develop staff training based on analysis of staff skills. And finally, COTA will develop a recruiting plan designed specifically to fill the new positions that will be created as COTA grows.

The accomplishments of 1999 and the development of these seven strategic goals position COTA for even greater success as we move into the 21st century. COTA is committed to using its resources wisely to provide Central Ohio residents the mobility they’ll need to meet the challenges and opportunities of the next millennium.

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.

(continued)

LETTER OF TRANSMITTAL

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 protection of assets against loss from unauthorized use or disposition, and the reliability of financial records used to prepare financial statements. 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 of proper recording of financial transactions. 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.

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.

(continued)

LETTER OF TRANSMITTAL

Financial Results - Revenues

The Authority's revenues are classified by source and described as shown below:

REVENUES BY SOURCE (Thousands of Dollars)

	<u>1999</u>	<u>1998</u>	<u>Increase / (Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Sales Tax Revenues	\$39,701	\$36,043	\$3,658	10.1%
Passenger Fares	13,201	13,135	66	1.0
Federal Assistance	9,727	1,920	7,807	406.6
State Assistance	3,342	3,655	(313)	(8.6)
Investment Income	1,528	1,686	(158)	(9.4)
Other Revenues:				
Auxiliary Transportation Revenue	983	939	44	4.7
Planning Study Assistance	30	55	(25)	(45.4)
Experience Refund from Bureau of Workers' Compensation	0	2,022	(2,022)	(100.0)
Non-transportation Revenue	<u>142</u>	<u>185</u>	<u>(43)</u>	<u>(23.2)</u>
TOTAL	<u><u>\$68,654</u></u>	<u><u>\$59,640</u></u>	<u><u>\$9,014</u></u>	<u><u>15.1%</u></u>

Sales Tax Revenues are received from a countywide, 1/4% sales tax levy approved by voters in November 1989, and which expired on February 1, 2000. (A permanent 1/4% sales tax levy was approved by voters on November 2, 1999.) The increase in 1999 revenues is due to continued strong growth in the local economy. Moderate 6% growth is anticipated to continue in 2000.

Passenger Fares are comprised of farebox revenues, special transit fares and charter revenues. The increase from 1998 amounts reflects our adding additional fixed route service and in increase in vehicle hours and vehicle miles.

Federal Assistance is received from the 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 Assistance is received from ODOT for general operating expenses, for elderly and disabled rider reduced-fare subsidies and for reimbursement of State fuel taxes.

(continued)

LETTER OF TRANSMITTAL

Investment Income is earned on invested funds. The decrease in income is due to reduced cash balances pending receipt of \$9.7 in Federal funds.

Experience Refund from the Bureau of Workers' Compensation in 1998 was a one-time retroactive service credit.

Other Revenues consist of auxiliary transportation revenues, planning study assistance and non-transportation revenues. Auxiliary transportation revenue represents fees collected for advertising placed on buses and increased due to the Authority selling more advertising contracts. Planning study assistance received from the FTA in 1999 covered 80% of the costs incurred by the Mid-Ohio Regional Planning Commission (MORPC) relating to "Livable Communities" project planning. Nontransportation revenues include all other various miscellaneous income items.

On page 14 is a graph depicting sources of revenue as a percent of total revenues for the fiscal years ended December 31, 1999 and 1998.

Financial Results - Expenses (Excluding Depreciation)

The Authority's expenses, excluding depreciation, are classified by object class as shown below. 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)

	<u>1999</u>	<u>1998</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Labor	\$28,518	\$26,551	\$1,967	7.4%
Fringe Benefits	14,233	12,790	1,443	11.3
Materials and Supplies	4,311	3,855	456	11.8
Purchased Transportation	3,268	3,023	245	8.1
Services	5,003	2,913	2,090	71.7
Other Expenses:				
Utilities	970	892	78	8.7
Taxes	635	594	41	6.9
Interest Expense	140	221	(81)	(36.7)
Leases and Rentals	132	151	(19)	(12.6)
Claims and Insurance	224	99	125	(126.3)
Planning Study Expense	37	69	(32)	(46.4)
Miscellaneous	<u>1,392</u>	<u>1,275</u>	<u>117</u>	<u>9.2</u>
TOTAL	<u>\$58,863</u>	<u>\$52,433</u>	<u>\$6,430</u>	<u>12.3%</u>

(continued)

LETTER OF TRANSMITTAL

Labor comprises nearly half of 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 1999, the Authority's union contract granted a 3% hourly wage rate increase to all represented employees. Merit raises for administrative staff averaged 3.6% in 1999. Additional staff were 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 of Ohio (at the statutory rate of 13.55% of total gross taxable wages plus an additional 1.5% "pickup" of represented employees' contributions), and employee medical benefits. The increase from 1998 is due to the ½% 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 of 11.8% are rising fuel prices and an increase in the purchase of bus repair parts due to the Authority's increased vehicle miles, vehicle hours and aging bus fleet.

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 1999 increase was driven by a slightly higher average per-service-hour rate included in the second year of a five-year contract, and an increase in the number of service hours.

Services are provided by outside contractors to the Authority for a wide variety of professional, technical, consulting and maintenance needs. The increase for 1999 is due to the purchase of professional consulting services for Year 2000 (Y2K) issues, system enhancements, and administrative support.

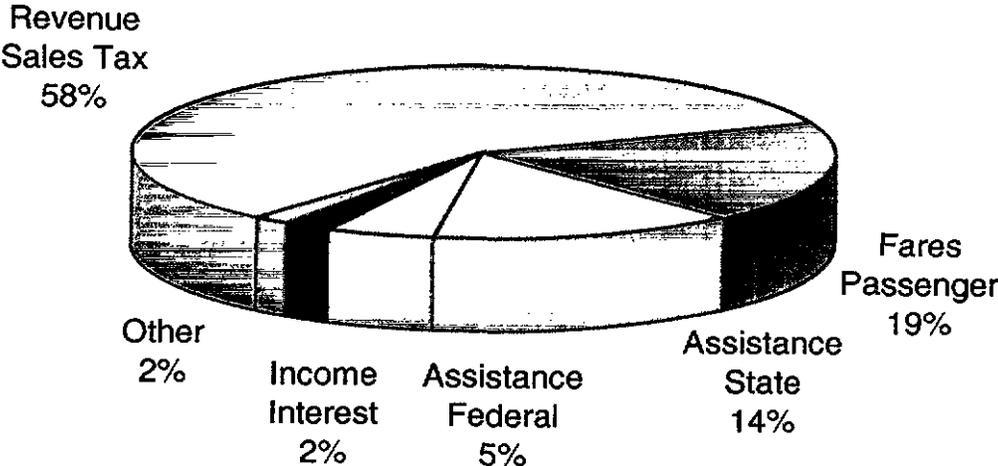
Other Expenses consist of utilities, taxes, interest, leases and rentals, planning study, claims and insurance and miscellaneous expense. Taxes are paid to the State on diesel fuel consumption at the rate of \$0.22 per gallon and real estate taxes are paid on non-exempt Authority property. Diesel fuel tax increased over 1998 because of increased fuel usage. Interest expense declined in 1999 as bond principal was paid. Leases and rentals are paid on the downtown Customer Service Center office, certain park-and-ride facilities, and miscellaneous equipment and decreased in 1999 because of lower maintenance costs required by several lease agreements. Claims and insurance expense decreased due to favorable claim with our self-insurance program. Planning study expense relates to "Livable Communities" project planning activities by MORPC, which concluded in 1999. The majority of the increase in miscellaneous expense for 1999 was due to an increase in advertising and promotion campaigns.

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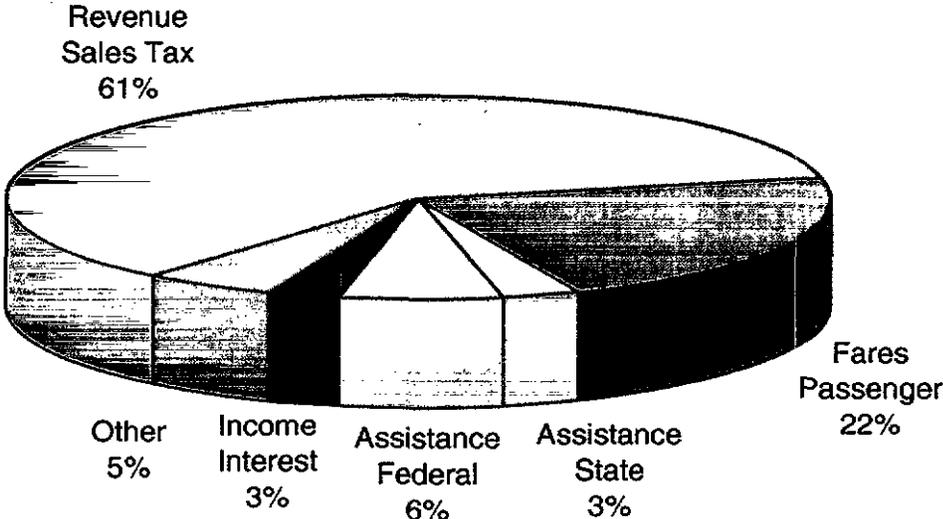
CENTRAL OHIO TRANSIT AUTHORITY

Revenues by Source

1999 TOTAL REVENUES
\$68,653,751

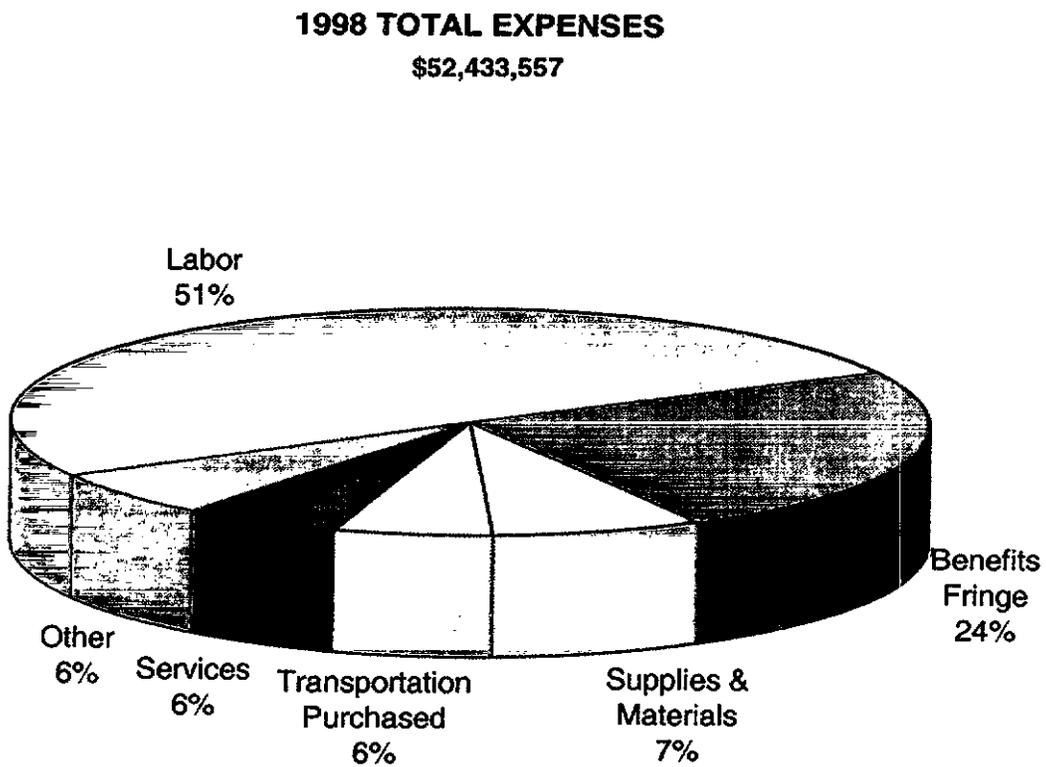
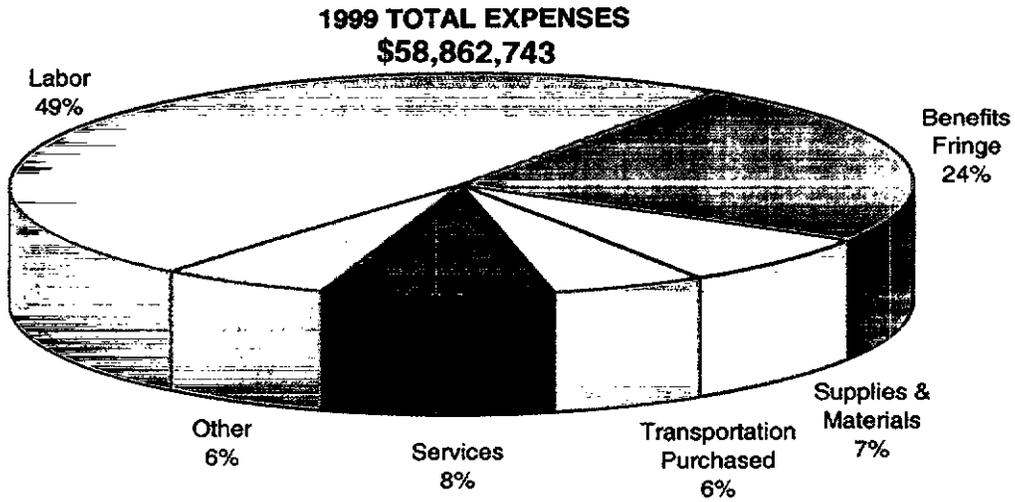


1998 TOTAL REVENUES
\$59,639,877



CENTRAL OHIO TRANSIT AUTHORITY

Expenses by Object Class (Excluding Depreciation)



LETTER OF TRANSMITTAL

On page 15 is a graph depicting of expenses, excluding depreciation, by object class as a percent of the total for the fiscal years ended December 31, 1999 and 1998.

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

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

	<u>1999</u>	<u>1998</u>	<u>Increase/(Decrease)</u>	
			<u>Amount</u>	<u>Percent</u>
Transportation	\$32,160	\$29,868	2,292	21%
Vehicle Maintenance	9,510	9,171	(339)	(3.7)
Facilities Maintenance	4,548	4,089	(459)	(11.2)
General and Administrative	<u>12,645</u>	<u>9,305</u>	<u>3,340</u>	<u>35.9</u>
TOTAL	<u>\$58,863</u>	<u>\$52,433</u>	<u>6,430</u>	<u>12.3 %</u>

Transportation expenses are those direct costs incurred in operating the Authority's bus vehicles and para-transit 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 three main facilities, two terminals, 27 park-and-ride lots and 345 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.

(continued)

LETTER OF TRANSMITTAL

Financial Results - Retained Earnings

The Authority's revenues in excess of net expenses (including depreciation) for the year ended December 31, 1999, were \$1,539,126. After adjusting for depreciation on assets acquired with federal grants, the net increase in retained earnings was \$7.9 million (from \$40.8 million to \$48.7 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. By contractual agreement, the Authority also pays 1.5% of the represented employees' required contribution. These contribution rates are actuarially determined and statutorily mandated.

The Authority has a "pickup" (assume and pay) program with respect to all of the statutorily required contributions of the employees covered by 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

The Authority sold unvoted, tax-exempt, general obligation bonds in 1990 to finance the purchase and construction of various capital assets. Payment of debt service on the bonds of the Authority is secured by a pledge of all revenues of the Authority, except those specifically limited to another use or prohibited from that use by the Ohio Constitution, state or federal law, or any revenue bond trust agreement into which the Authority might enter. Management intends for debt service to be paid from the receipts of the Authority's sales and use tax. The debt service is also payable, in the event it

(continued)

LETTER OF TRANSMITTAL

is not paid from other sources, from ad valorem taxes that could be imposed by the Authority, within the ten-mill limitation set by Ohio law. The Authority has \$1.36 million of bonds outstanding as of December 31, 1999, which mature as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2000	1,360,000	6.625%

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 existing debt service requirements and future operating costs. As of December 31, 1999, the maximum annual debt service charges permitted by law for new, unvoted debt issuance was \$19.6 million. However, the Authority currently intends to fund capital improvements through federal grants, state grants and local sales tax revenues.

Cash Management and Investments

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

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

Effective January 1, 1998, the Authority adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Pursuant to Statement No. 31, at December 31, 1999, 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.

(continued)

LETTER OF TRANSMITTAL

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, 1999 were approximately \$11.4 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 is \$250,000 at December 31, 1999, and is included as a liability in the accompanying balance sheet.

OTHER INFORMATION

Independent Audit

The Authority's independent certified public accounting firm of KPMG LLP has rendered an unqualified audit report on the Authority's financial statements for the fiscal year ended December 31, 1999. 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 KPMG 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.

(continued)

LETTER OF TRANSMITTAL

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 Department of the Controller. The Authority wishes to thank all who contributed to this project.



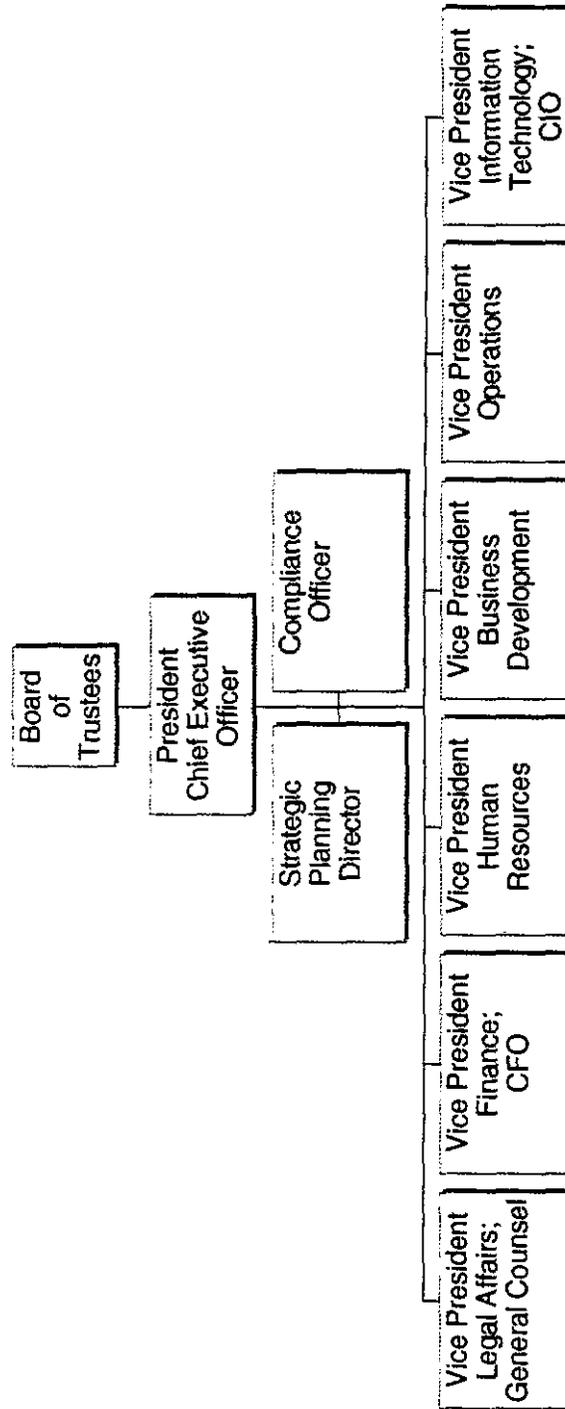
Ronald L. Barnes
President/CEO



Charlene S. Powell
Vice President, Finance

Central Ohio Transit Authority

Table of Organization



CENTRAL OHIO TRANSIT AUTHORITY

Board of Trustees and Administration

BOARD OF TRUSTEES

As of December 31, 1999

Chair	E. James Hople <i>- representing City of Columbus</i>
Vice-Chair	Mary T. (Tommie) Williams <i>- representing City of Columbus</i>
Trustee	Margery Amorose <i>- representing Franklin County</i>
Trustee	William A. Anthony, Jr. <i>- representing City of Columbus</i>
Trustee	Janet G. Ashe <i>- representing City of Columbus</i>
Trustee	Lou J. Briggs <i>- representing Gahanna, Westerville and Worthington</i>
Trustee	David Hetzler <i>- representing City of Columbus</i>
Trustee	William G. Porter II <i>- representing Bexley and Whitehall</i>
Trustee	James W. Rarey <i>- representing City of Columbus</i>
Trustee	Dan M. Reichard, Jr. <i>- representing Reynoldsburg, Grove City, and Hilliard</i>
Trustee	Yvonne E. Simon <i>- representing City of Upper Arlington</i>
Trustee	Craig A. Thomas <i>- representing Franklin County</i>

ADMINISTRATION

President/C.E.O.	Ronald L. Barnes
Vice President, Finance / CFO	Charlene S. Powell (effective 6-19-2000) (Jeffrey S. Vosler, Acting CFO, through 6-18-2000)
Vice President, Operations	Carol E. Wise (effective 6-19-2000)
Vice President, Business Development	Emmett J. Crockett
Vice President, Legal Affairs / General Counsel	Dan T. Pribich
Vice President, Human Resources	Barbara A. England
Vice President, Information Technology	Peter K. Anderson
Director, Strategic Planning	Brian O. Martin
Compliance Officer	Carol L. Perkins

Certificate of Achievement for Excellence in Financial Reporting

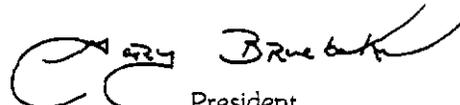
Presented to

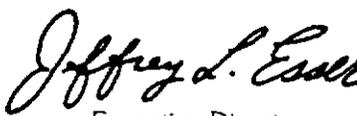
Central Ohio Transit Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 1998

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.




Cary Brueck
President


Jeffrey L. Essler
Executive Director

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FINANCIAL SECTION



Two Nationwide Plaza
Columbus, OH 43215

Telephone 614 249 2300
Fax 614 249 2348

Independent Auditors' Report

Board of Trustees
Central Ohio Transit Authority
Columbus, Ohio:

We have audited the accompanying balance sheet of the Central Ohio Transit Authority (COTA) as of December 31, 1999 and 1998, and the related statements of revenues, expenses and changes in retained earnings, and cash flows for the years 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of COTA as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 2000 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary 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 additional information 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.

KPMG LLP

June 1, 2000



CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets
December 31, 1999 and 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 774,986	\$ 1,632,511
Receivables:		
Federal operating assistance	9,718,608	-
State operating assistance	2,427,000	2,673,081
Other	1,368,156	778,571
Inventory of materials and supplies	1,625,782	1,449,447
Other	138,413	453,637
Total	<u>16,052,945</u>	<u>6,987,247</u>
 RESTRICTED ASSETS:		
Board restricted:		
Cash and cash equivalents	22,592,537	12,495,187
Investments	-	13,747,802
Accrued interest	-	302,756
Total	<u>22,592,537</u>	<u>26,545,745</u>
Restricted for capital grants:		
Cash and cash equivalents	-	3,746,819
Federal capital grants receivable	4,111,166	821,269
State capital grants receivable	552,923	34,229
Total	<u>4,664,089</u>	<u>4,602,317</u>
 PROPERTY AND EQUIPMENT:		
Cost	143,390,287	127,400,057
Less accumulated depreciation	<u>(77,230,796)</u>	<u>(69,273,915)</u>
Total	<u>66,159,491</u>	<u>58,126,142</u>
 TOTAL ASSETS	 \$ <u>109,469,062</u>	 \$ <u>96,261,451</u>

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets (continued)
December 31, 1999 and 1998

<u>LIABILITIES AND EQUITY</u>	<u>1999</u>	<u>1998</u>
CURRENT LIABILITIES:		
Current portion of capital lease obligation	\$ 147,843	\$ 143,739
Accounts payable.....	2,833,904	1,239,005
Accrued payroll and fringe benefits.....	5,136,840	4,647,522
Accrued payroll taxes.....	620,709	1,315,365
Accrued interest payable.....	37,543	72,878
Estimated workers compensation claims.....	250,000	120,000
Other current liabilities.....	286,164	370,126
Total.....	<u>9,313,003</u>	<u>7,908,635</u>
LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Current portion of bonds payable	1,360,000	1,280,000
Estimated claims payable	212,871	203,276
Capital expenses payable and other.....	280,713	82,126
Total.....	<u>1,853,584</u>	<u>1,565,402</u>
OTHER LIABILITIES:		
Bonds payable, less current portion	-	1,360,000
Deferred income - sale of tax leases.....	19,273	32,121
Capital lease obligation, less current portion	302,733	158,272
Total.....	<u>322,006</u>	<u>1,550,393</u>
Total liabilities.....	<u>11,488,593</u>	<u>11,024,430</u>
EQUITY:		
Contributed capital:		
Federal capital grants.....	45,272,359	41,905,403
State capital grants.....	3,012,158	2,506,517
Donated capital.....	942,000	-
Total.....	<u>49,226,517</u>	<u>44,411,920</u>
Retained earnings	<u>48,753,952</u>	<u>40,825,101</u>
Total equity.....	<u>97,980,469</u>	<u>85,237,021</u>
TOTAL LIABILITIES AND EQUITY.....	<u>\$ 109,469,062</u>	<u>\$ 96,261,451</u>

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Equity
Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
OPERATING REVENUES:		
Passenger fares for transit service.....	\$ 12,795,123	\$ 12,679,572
Special transit fares.....	384,650	431,504
Charter service revenue.....	21,507	24,406
Auxiliary transportation revenue.....	983,160	939,054
Total.....	14,184,440	14,074,536
OPERATING EXPENSES OTHER THAN DEPRECIATION:		
Labor.....	28,518,217	26,551,118
Fringe benefits.....	14,232,678	12,790,407
Materials and supplies.....	4,310,930	3,854,570
Purchased transportation.....	3,267,644	3,023,008
Services.....	5,003,091	2,913,181
Utilities.....	970,031	892,157
Taxes.....	635,113	593,828
Leases and rentals	132,498	151,265
Claims and insurance, net of settlements.....	224,176	98,845
Miscellaneous.....	1,391,509	1,275,328
Total.....	58,685,887	52,143,707
DEPRECIATION:		
On assets acquired with contributed capital.....	6,389,725	6,398,665
On assets acquired with Authority resources.....	1,862,157	1,351,168
Total.....	8,251,882	7,749,833
Total operating expenses.....	66,937,769	59,893,540
EXCESS OF OPERATING EXPENSES INCLUDING DEPRECIATION OVER OPERATING REVENUES.....	(52,753,329)	(45,819,004)
NONOPERATING REVENUES (EXPENSES):		
Sales tax revenues.....	39,700,653	36,042,732
Federal operating grants and reimbursements	9,726,749	1,919,920
State operating grants, reimbursements and special fare assistance	3,341,855	3,655,120
Interest income.....	1,527,817	1,685,714
Interest expense.....	(139,565)	(221,275)
Planning study assistance revenues.....	29,833	54,860
Planning study expense.....	(37,291)	(68,575)
Experience refund from the Ohio Bureau of Workers Compensation.....	-	2,022,040
Nontransportation and other revenue.....	142,404	184,955
Total.....	54,292,455	45,275,491
NET REVENUES OVER / (UNDER) EXPENSE		
<i>(carried forward to next page)</i>	\$ 1,539,126	\$ (543,513)

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Equity (continued)
Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
NET REVENUES OVER / (UNDER) EXPENSE		
<i>(brought forward from previous page)</i>	\$ 1,539,126	\$ (543,513)
Addback of depreciation expense (on assets acquired with contributed capital) closed to contributed capital.....	6,389,725	6,398,665
	7,928,851	5,855,152
INCREASE IN RETAINED EARNINGS.....		
RETAINED EARNINGS, BEGINNING OF YEAR.....	40,825,101	34,969,949
	48,753,952	40,825,101
RETAINED EARNINGS, END OF YEAR.....		
CONTRIBUTED CAPITAL, BEGINNING OF YEAR.....	44,411,920	47,464,262
Capital contributed:		
Federal capital grants.....	9,386,291	3,312,094
State capital grants.....	876,031	34,229
Donated capital.....	942,000	
Amortization of contributed capital (equal to the depreciation on assets acquired with contributed capital):		
Federal capital grants.....	(6,019,335)	(6,044,770)
State capital grants.....	(370,390)	(353,895)
	49,226,517	44,411,920
CONTRIBUTED CAPITAL, END OF YEAR.....		
TOTAL EQUITY, END OF YEAR.....	\$ 97,980,469	\$ 85,237,021

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of operating expenses including depreciation over operating revenues.....	\$ (52,753,329)	\$ (45,819,004)
Adjustments to reconcile to net cash used in operating activities:		
Depreciation expense.....	8,251,882	7,749,833
Federal planning study assistance received.....	24,403	51,864
Planning study expenditures.....	(31,860)	(67,275)
Other nonoperating revenues, net.....	121,415	2,144,305
Change in assets and liabilities:		
Other receivables.....	(595,653)	411,705
Inventory.....	(176,335)	21,389
Other assets.....	308,672	(4,677)
Accounts payable.....	1,594,899	283,597
Accrued payroll and related taxes.....	(205,338)	396,149
Other current liabilities.....	(83,962)	11,625
Estimated claims payable.....	139,595	86,838
Total adjustments.....	<u>9,347,718</u>	<u>11,085,353</u>
Net cash used in operating activities.....	<u>(43,405,611)</u>	<u>(34,733,651)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Sales taxes received.....	39,700,653	36,042,732
Federal operating assistance received.....	14,209	1,802,279
State operating and other assistance received.....	<u>3,596,077</u>	<u>3,637,128</u>
Net cash provided by noncapital financing activities.....	<u>43,310,939</u>	<u>41,482,139</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal capital grants received.....	6,101,824	2,825,230
State capital grants received.....	357,337	-
Proceeds from disposals of fixed assets.....	-	6,129
Acquisition and construction of fixed assets.....	(14,750,276)	(4,122,083)
Repayment of bond principal.....	(1,280,000)	(1,200,000)
Interest paid on bonds payable and capital leases.....	(174,900)	(254,400)
Repayment of capital lease obligations.....	<u>(244,682)</u>	<u>(207,453)</u>
Net cash used in capital and related financing activities.....	<u>(9,990,697)</u>	<u>(2,952,577)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of investments.....	13,665,000	8,000,000
Interest received from investments.....	1,913,375	1,608,381
Purchases of investments.....	-	(4,009,118)
Net cash provided by investing activities.....	<u>15,578,375</u>	<u>5,599,263</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	5,493,006	9,395,174
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	<u>17,874,517</u>	<u>8,479,343</u>
CASH AND CASH EQUIVALENTS, END OF YEAR.....	<u>\$ 23,367,523</u>	<u>\$ 17,874,517</u>
SUPPLEMENTAL INFORMATION:		
Equipment acquired under capital lease agreements.....	<u>\$ 300,000</u>	<u>\$ 280,000</u>

See notes to financial statements.

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

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 2, 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 1999 and 1998.

The Authority is governed by a thirteen-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 three-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)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

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 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 prior to the incurrence of related qualified expenditures 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

Prior to January 1, 1998, investments were carried at cost and were adjusted for the amortizations of premiums and accretion of discounts over the lives of the related securities, which were recognized as adjustments to interest income.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

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, 1998, 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.

e. Inventory of Materials and Supplies

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

f. Restricted Assets

Restricted assets consist of monies and other resources, which 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 claims under the Authority's self-insurance program, for future capital expenditures and for the current portion of bonds payable.

Restricted for Capital 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 which 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:

<u>Description</u>	<u>Years</u>
Land and leasehold improvements	5-20
Buildings and improvements	20-40
Revenue vehicles	12
Transit shelters and terminals	5-40
Other equipment	3-10

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

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

h. Estimated Claims Payable

The Authority has a self-insurance program for public liability, personal injury, property damage and, as of July 1, 1998, workers' compensation (see note 9). 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. An actuary was not used in the determination of these liabilities.

i. Sale of Tax Leases

Cash received from the sale of tax leases has been deferred and is recognized as income on the straight-line basis over the lives of the related assets. To take advantage of certain tax benefits available under Section 168(F)(8) of the Internal Revenue Code, prior to December 31, 1987, the Authority entered into four sale-and-leaseback agreements with third parties. These third parties purchased the rights to the local share portion of certain buses from COTA for cash consideration and are leasing the buses back to the Authority. Three such agreements expired in 1996, 1997 and 1998. The other leaseback agreement expires in 2001.

j. Compensated Absences

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

k. Passenger Fares

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

l. 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.

m. Use of Estimates

The accounting and reporting policies of COTA conform to generally accepted accounting principles (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.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

n. Governmental Accounting Standards Board Statement Nos. 33 and 34

This report does not incorporate GASB Statement Nos. 33 and 34, Recipient Reporting for Certain Shared Nonexchange Revenues and Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, respectively. The Authority will adopt and implement these GASB Statements at the required time. The Authority has not completed the process of evaluating the impact of adopting these statements, and there 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 is 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 investment pool (STAROhio) and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on December 31, 1999.

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 at 110% 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 government, and mature or be redeemable within five 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 1999 and 1998, the Authority complied with the provisions of these statutes.

a. Deposits With Financial Institutions

At December 31, 1999, the carrying amount of the Authority's deposits with financial institutions was \$45,144 and the bank balance was \$109,050. In addition, the Authority had \$6,130 of cash on hand. The bank balance of \$109,050 was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the Government Accounting Standards Board).

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

At December 31, 1998 the carrying amount of the Authority's deposits with financial institutions was \$1,046,517 and the bank balance was \$1,059,407. In addition, the Authority had \$6,200 of cash on hand. \$200,000 of the bank balance was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by the Governmental Accounting Standards Board). The remaining bank balance cash deposits were uninsured and uncollateralized and were held in the name of COTA's pledging financial institution, as required by the Ohio Revised Code (Category 3).

b. Investments and Other Deposits

The Authority's investments are detailed below and categorized in accordance with the criteria established by the GASB to give an indication of the level of risk assumed as of December 31, 1999 and 1998. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Authority's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

As of December 31, 1999, the Authority held equity of \$23,316,249 in STAROhio, which is not required to be categorized due to its nature.

Investments held as of December 31, 1998:

<u>Description</u>	<u>Category</u>			<u>Fair/ Carrying Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Treasury notes and federal agency obligations	\$ -	-	13,747,802	\$ 13,747,802
Equity in the state treasurer's investment pool (STAROhio)				<u>16,821,800</u>
Total investments and other deposits				<u>\$ 30,569,602</u>

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

4. BOARD RESTRICTED ASSETS

Board restricted assets are comprised of the following:

	December 31,	
	1999	1998
Restricted for self-insurance:		
Cash and cash equivalents	\$ 11,411,946	\$ 1,054,596
Investments	-	9,720,927
Accrued interest	-	290,222
Total	11,411,946	11,065,745
Restricted for capital expenditures:		
Cash and cash equivalents	9,820,591	10,160,591
Investments	-	4,026,875
Accrued interest	-	12,534
Total	9,820,591	14,200,000
Restricted for bond retirement:		
Cash and cash equivalents	1,360,000	1,280,000
Total board restricted	\$ 22,592,537	\$ 26,545,745

5. PROPERTY AND EQUIPMENT

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

	December 31,	
	1999	1998
Land	\$ 5,168,315	\$ 4,190,514
Land and leasehold improvements	8,862,408	8,685,321
Buildings and improvements	27,730,695	27,200,087
Revenue vehicles	67,961,219	61,127,627
Transit shelters and terminals	6,509,746	6,399,050
Other equipment	24,894,029	19,596,464
Construction in progress	2,263,875	200,994
Total	\$143,390,287	\$ 127,400,057

The construction in progress includes funds committed to the purchase of buses and transit vehicles funded primarily through federal and state capital assistance.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

6. LEASES

COTA leases certain property and office equipment under capital and 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, 1999:

	Commitments Under	
	Capital Lease	Operating Leases
2000	\$ 173,258	\$ 29,787
2001	173,258	27,871
2002	149,343	15,838
2003	-	5,622
	\$ 495,889	\$ 79,118
Total minimum lease payments		
	(45,313)	
Less amount representing interest Present value of minimum lease payments under capital lease	\$ 450,576	

The interest rate for the capital lease is approximately 6.6% at December 31, 1999. Rental expense for all operating leases was approximately \$132,500 in 1999 and \$151,000 in 1998.

7. BONDS PAYABLE

Bonds payable consist of capital improvement bonds issued to acquire, construct, improve, replace, extend and enlarge transit facilities within the territorial boundaries of the Authority. The bonds are general obligations of the Authority and bear interest at a weighted average annual rate of approximately 6.6%. The bonds are scheduled for retirement in 2000.

The annual requirements to pay principal and interest on the bonds outstanding at December 31, 1996 are as follows:

Year	Principal	Interest	Total
2000	\$ 1,360,000	\$ 90,100	\$ 1,450,100

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

8. 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, 1999 and 1998 consist of the following:

	<u>1999</u>	<u>1998</u>
Federal:		
FTA Operating Assistance	\$ 9,718,609	\$ 373,955
FTA Reimbursement of Bus Overhaul Expenses		1,505,299
City of Newark - Pass Through Operating Assistance	8,140	40,666
Total	<u>\$ 9,726,749</u>	<u>\$ 1,919,920</u>
State:		
ODOT Operating Assistance	\$ 2,429,652	\$ 2,743,278
ODOT Elderly and Disabled Fare Assistance	291,096	307,276
ODOT Fuel Tax Reimbursement	586,710	553,869
ODOT "Paving-the-Way" Reimbursement	34,397	50,697
Total	<u>\$ 3,341,855</u>	<u>\$ 3,655,120</u>

9. 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 \$212,871 at December 31, 1999 and \$203,276 at December 31, 1998 are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 1999 and 1998, \$11,411,946 and \$11,065,745, respectively, has been restricted by the Board of Trustees to fund the self-insurance program. Such amounts are included in board-restricted assets in the December 31, 1999 and 1998 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 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 \$250,000 at December 31, 1999 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's third party administrator. A summary of changes in self-insurance claims liability for the years ended December 31, 1999 and 1998 follows:

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

	General Liability Insurance	Self- Insured Workers' Compensation
Claims liability at December 31, 1997	\$ 236,438	\$ -
Incurred claims, net of favorable settlements	55,051	144,585
Claims paid	(88,213)	(24,585)
Claims liability at December 31, 1998	203,276	120,000
Incurred claims, net of favorable settlements	194,666	145,462
Claims paid	(185,071)	(15,462)
Claims liability at December 31, 1999	\$ 212,871	\$ 250,000

10. DEFINED BENEFIT PENSION PLAN

a. Plan Description

COTA contributes to the Public Employees Retirement System of Ohio (PERS), a cost-sharing, 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 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. PERS issues a publicly available financial report that includes the financial statements and required supplementary information. That report may be obtained by writing to Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215 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 current rate is 13.55% of annual covered payroll. The contribution requirements of plan members and COTA are established by, and may be amended by, the PERS Board of Trustees. COTA's contributions to PERS for the years ending December 31, 1999, 1998, and 1997 were approximately \$4,400,000, \$4,125,000, and \$3,845,000, respectively, equal to the required contributions for each year.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Notes to Financial Statements
Years Ended December 31, 1999 and 1998

c. Other Post-employment Benefits

PERS also provides post-employment health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. The ORC provides statutory authority for employer contributions to be used for the funding of post-employment health care. COTA's contributions actually made to fund post-employment benefits were \$11,363,800 in 1999 and \$1,279,000 in 1998. These contributions are included in the funding rate of 13.55%.

Other post-employment benefits (OPEB) are financed through employer contributions and investment earnings thereon (i.e. pay as you go). The contributions allocated to retiree health care and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB for PERS as a whole during 1999 were \$523,599,349. As of December 31, 1999 the unaudited estimated net assets available for future OPEB benefits were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, PERS adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998 employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal costs rates were determined for retiree health care coverage.

11. 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, 1999, 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, 1999, 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 management, no material grant expenditures will be disallowed.

CENTRAL OHIO TRANSIT AUTHORITY
Supplemental Schedule of Revenues, Expenses and
Changes in Equity - Budget vs. Actual (Accrual Basis)
Year ended December 31, 1999

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE / (UNFAVORABLE VARIANCE</u>
OPERATING REVENUES.....	\$14,154,525	\$14,184,440	\$ 29,915
OPERATING EXPENSES OTHER THAN DEPRECIATION:			
Labor.....	33,911,988	28,518,217	5,393,771
Fringe benefits.....	10,132,358	14,232,678	(4,100,320)
Materials and supplies.....	4,918,571	4,310,930	607,641
Purchased transportation.....	3,300,043	3,267,644	32,399
Services.....	5,116,780	5,003,091	113,689
Utilities.....	1,069,243	970,031	99,212
Taxes.....	661,479	635,113	26,366
Leases and rentals.....	169,134	132,498	36,636
Claims and insurance, net of settlements.....	232,046	224,176	7,870
Miscellaneous.....	1,481,073	1,391,509	89,564
Total.....	<u>60,992,715</u>	<u>58,685,887</u>	<u>2,306,828</u>
DEPRECIATION.....	7,446,552	8,251,882	(805,330)
Total operating expenses.....	<u>68,439,267</u>	<u>66,937,769</u>	<u>1,501,498</u>
EXCESS OF OPERATING EXPENSES INCLUDING DEPRECIATION OVER OPERATING REVENUES.....	<u>(54,284,742)</u>	<u>(52,753,329)</u>	<u>1,501,498</u>
NONOPERATING REVENUES (EXPENSES):			
Sales tax revenues.....	37,824,441	39,700,653	1,876,212
Federal operating grants and reimbursements	9,728,319	9,726,749	(1,570)
State operating grants, reimbursements and special fare assistance.....	3,404,727	3,341,855	(62,872)
Interest income.....	1,817,036	1,527,817	(289,219)
Interest expense.....	(139,565)	(139,565)	-
Planning study assistance revenues.....	29,833	29,833	-
Planning study expense.....	(37,291)	(37,291)	-
Nontransportation and other revenues.....	1,990,284	142,404	(1,847,880)
Total.....	<u>54,617,784</u>	<u>54,292,455</u>	<u>(325,329)</u>
NET REVENUES OVER EXPENSES.....	<u>333,042</u>	<u>1,539,126</u>	<u>1,176,169</u>
CONTRIBUTED CAPITAL:			
Federal grants earned.....	32,759,619	9,386,291	(23,373,328)
State grants earned.....	2,195,290	876,031	(1,319,259)
Donated capital.....	12,106,570	942,000	(11,164,570)
Total.....	<u>47,061,479</u>	<u>11,204,322</u>	<u>(35,857,157)</u>
NET CHANGE IN EQUITY.....	47,394,521	12,743,448	(34,680,988)
TOTAL EQUITY, DECEMBER 31, 1998.....	<u>116,923,602</u>	<u>85,237,021</u>	<u>-</u>
TOTAL EQUITY, DECEMBER 31, 1999.....	<u>\$164,318,123</u>	<u>\$97,980,469</u>	<u>\$ (34,680,988)</u>

See accompanying Independent Auditors' report.

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STATISTICAL SECTION

CENTRAL OHIO TRANSIT AUTHORITY

Revenues by Source Last Ten Fiscal Years

(in thousands)

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
OPERATING REVENUES:										
Passenger fares for transit service	\$9,455	\$10,700	\$11,188	\$10,448	\$10,574	\$10,607	\$11,493	\$12,143	\$12,680	\$12,795
Special transit fares	284	287	175	115	120	128	188	258	431	385
Charter service revenue	8	23	37	15	25	41	7	21	24	22
Auxiliary transportation revenue	334	320	472	467	503	889	952	814	939	983
Total operating revenues	<u>10,081</u>	<u>11,330</u>	<u>11,872</u>	<u>11,045</u>	<u>11,222</u>	<u>11,665</u>	<u>12,640</u>	<u>13,236</u>	<u>14,074</u>	<u>14,185</u>
NONOPERATING REVENUES:										
Sales tax revenues	13,670	21,539	23,290	24,695	27,794	30,060	31,676	33,944	36,043	39,701
Federal operating grants and reimbursements	4,411	4,363	4,340	4,376	4,438	3,930	2,105	3,426	1,920	9,727
State operating grants, reimbursements and special fare assistance	3,878	4,088	3,677	3,701	3,782	3,767	3,468	3,367	3,655	3,342
Investment income	1,325	1,285	967	837	1,005	1,309	1,334	1,476	1,686	1,528
Nontransportation and other revenues	492	903	529	438	219	175	342	255	185	142
Experience Refund from Bureau of Workers' Compensation (BWC)	-	-	-	-	-	-	-	-	2,022	-
Planning study assistance revenues	-	-	-	171	1,221	145	155	46	55	30
Total nonoperating revenues	<u>23,776</u>	<u>32,178</u>	<u>32,803</u>	<u>34,218</u>	<u>38,459</u>	<u>39,386</u>	<u>39,080</u>	<u>42,514</u>	<u>45,566</u>	<u>54,470</u>
CUMULATIVE EFFECT - Change in accounting principle (1)	1,317	-	-	-	-	-	-	-	-	-
TOTAL REVENUES	<u>\$35,174</u>	<u>\$43,508</u>	<u>\$44,675</u>	<u>\$45,263</u>	<u>\$49,681</u>	<u>\$51,051</u>	<u>\$51,720</u>	<u>\$55,750</u>	<u>\$59,640</u>	<u>\$68,655</u>

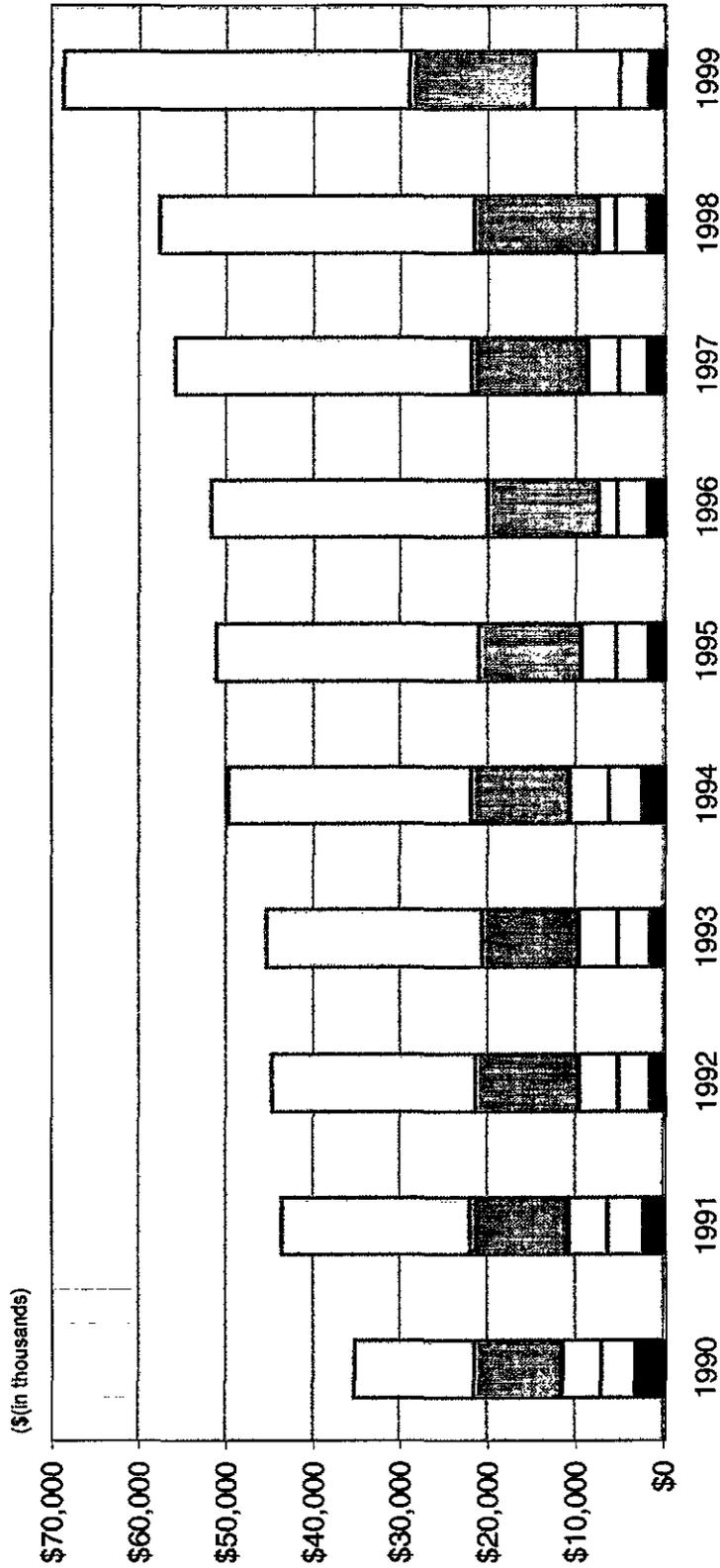
(1) The method of recording state operating assistance was changed to recognition over the entitlement period (the Authority's fiscal year ended December 31), from recognition over the period of state appropriation of assistance funds (the State of Ohio's fiscal year ended the following June 30)

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

Revenues By Source Last Ten Years



Sales Tax Revenues
 Passenger Fares
 Federal Assistance
 State Assistance
 Miscellaneous

Excludes revenues classified as
 cumulative effect of a
 change in accounting principle

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

TRANSPORTATION INDUSTRY (1)

<u>YEAR</u>	<u>OPERATING AND OTHER REVENUE</u>			<u>OPERATING ASSISTANCE</u>			<u>TOTAL ALL REVENUES</u>
	<u>PASSENGER</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>STATE & LOCAL</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
1990	36.7	5.6	42.3	51.7	6.0	57.7	100.0
1991	36.5	4.6	41.1	53.1	5.8	58.9	100.0
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 (3)	37.6	15.5	53.1	44.0	2.9	46.9	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	*	*	*	*	*	*	*

CENTRAL OHIO TRANSIT AUTHORITY (4)

<u>YEAR</u>	<u>OPERATING AND OTHER REVENUE</u>			<u>OPERATING ASSISTANCE</u>			<u>TOTAL ALL REVENUES</u>
	<u>PASSENGER</u>	<u>OTHER</u>	<u>TOTAL</u>	<u>STATE & LOCAL</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
		(5)		(7)			
1990	27.7	6.2	33.9	53.6 (8)	12.5	66.1	100.0
1991	25.3	5.8	31.1	58.9	10.0	68.9	100.0
1992	25.5	4.4	29.9	60.4	9.7	70.1	100.0
1993	23.4	4.2	27.6	62.7	9.7	72.4	100.0
1994	21.6	5.9	27.5	63.6	8.9	72.5	100.0
1995	21.1	4.9	26.0	66.3	7.7	74.0	100.0
1996	22.6	5.4	28.0	67.9	4.1	72.0	100.0
1997	22.3	4.6	26.9	66.9	6.2	73.1	100.0
1998	22.1	7.7 (6)	29.8	67.0	3.2	70.2	100.0
1999	18.7	3.9	22.6	63.2	14.2	77.4	100.0

* Information not available

(1) Source: The American Public Transit Association, *APTA 1999 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) Preliminary estimate subject to future revision

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

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

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

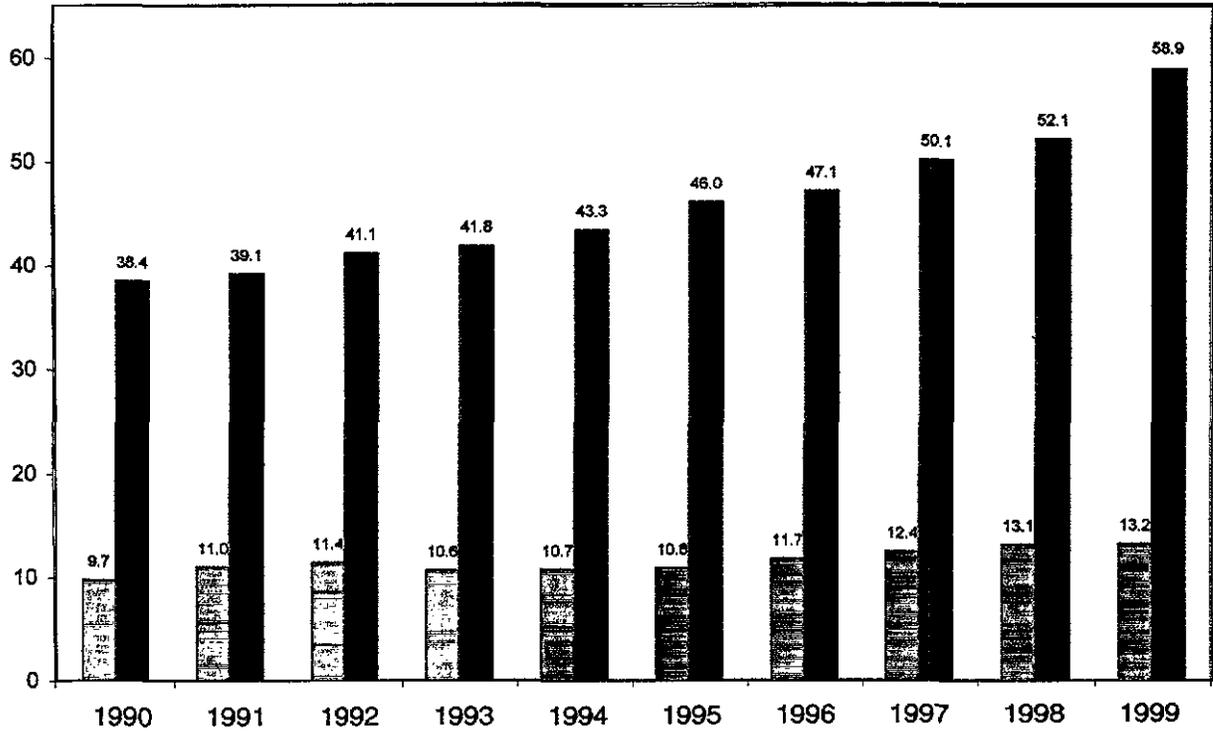
(7) Includes local sales tax revenues, and state operating grants, reimbursements, and special fare assistance

(8) Includes recognition of \$1.3 million in cumulative effect of change in accounting principle

CENTRAL OHIO TRANSIT AUTHORITY

Farebox Revenues vs. Operating Expenses Last Ten Fiscal Years

\$(in millions)

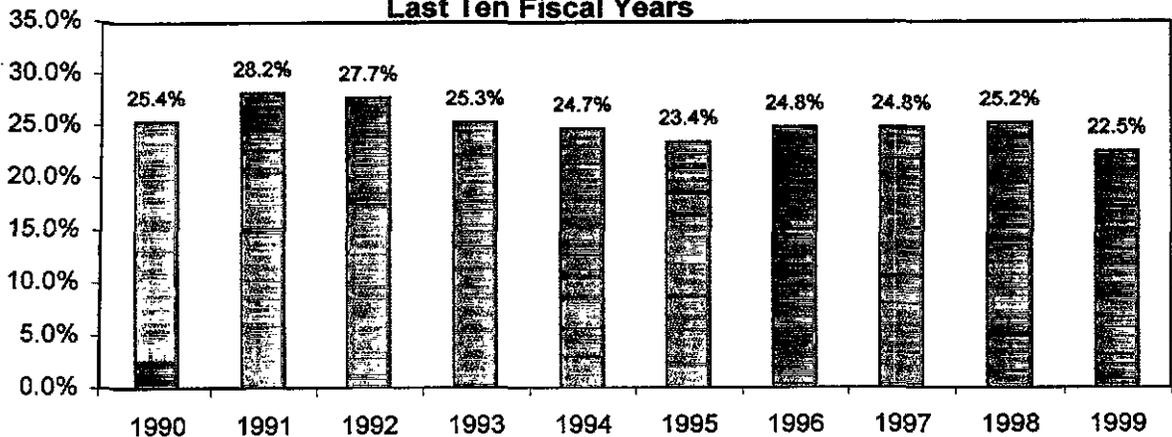


Farebox revenues include passenger, special transit and charter revenues; operating expenses exclude depreciation

□ Farebox Revenues ■ Operating Expenses

CENTRAL OHIO TRANSIT AUTHORITY

Farebox Recovery Ratio Last Ten Fiscal Years



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

CENTRAL OHIO TRANSIT AUTHORITY

Expenses by Object Class

Last Ten Fiscal Years

(in thousands)

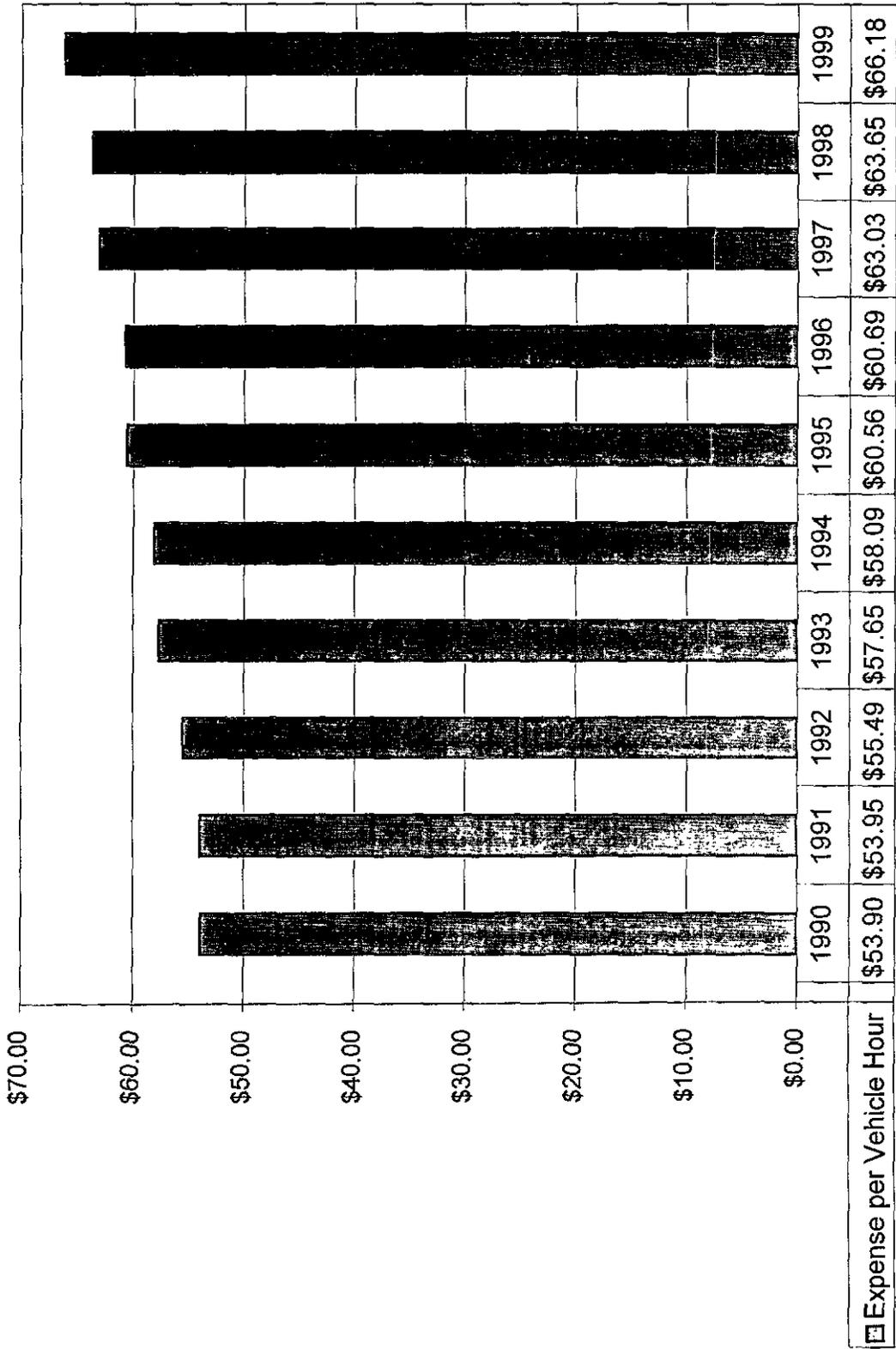
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
OPERATING EXPENSES										
OTHER THAN DEPRECIATION:										
Labor	\$18,731	\$19,607	\$20,712	\$20,999	\$21,973	\$22,920	\$23,968	\$24,729	\$26,551	\$28,518
Fringe benefits	10,238	9,812	10,353	10,332	11,024	12,296	12,117	13,579	12,790	14,233
Services	1,757	1,845	2,017	2,270	2,440	2,458	2,237	2,413	2,913	5,003
Materials and supplies	3,717	4,116	4,235	4,023	3,664	3,761	3,760	3,641	3,855	4,311
Utilities	843	839	866	793	851	862	1,062	887	892	970
Claims and insurance	524	253	9	554	324	248	(72)	106	99	224
Taxes	435	510	522	524	540	546	576	569	594	635
Purchased transportation	1,209	1,242	1,412	1,472	1,637	1,922	2,469	2,942	3,023	3,268
Leases and rentals	111	140	137	83	119	120	211	161	151	132
Miscellaneous	822	734	821	727	755	912	787	1,090	1,275	1,392
Total	38,387	39,098	41,084	41,777	43,327	46,045	47,115	50,117	52,143	58,686
DEPRECIATION	6,413	7,520	8,230	8,962	7,810	7,801	8,176	7,370	7,750	8,252
Total operating expenses	44,800	46,618	49,314	50,739	51,137	53,846	55,291	57,487	59,893	66,938
NONOPERATING EXPENSES:										
Interest expense	412	532	529	527	501	437	370	298	221	140
Planning study expense	-	-	-	191	1363	181	193	58	68	37
TOTAL EXPENSES	\$45,212	\$47,150	\$49,843	\$51,457	\$53,001	\$54,464	\$55,854	\$57,843	\$60,182	\$67,115

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



Operating expenses exclude depreciation

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

TRANSPORTATION INDUSTRY ⁽¹⁾

<u>YEAR</u>	<u>LABOR AND FRINGES</u>	<u>SERVICES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>UTILITIES</u>	<u>CLAIMS AND INSURANCE</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES ⁽²⁾</u>
1990	71.2	5.0	10.2	3.5	4.1	6.4	(0.4)	100.0
1991	68.9	4.9	9.4	3.5	3.8	9.9	(0.4)	100.0
1992	71.4	5.4	9.1	3.6	3.3	9.6	(2.4)	100.0
1993	71.1	5.3	8.9	3.6	3.4	10.4	(2.7)	100.0
1994	70.7	4.7	8.9	3.6	3.4	10.9	(2.2)	100.0
1995	71.1	4.8	9.0	3.5	2.9	10.8	(2.1)	100.0
1996 ⁽³⁾	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	*	*	*	*	*	*	*	*

CENTRAL OHIO TRANSIT AUTHORITY ⁽⁴⁾

<u>YEAR</u>	<u>LABOR AND FRINGES</u>	<u>SERVICES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>UTILITIES</u>	<u>CLAIMS AND INSURANCE</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES ⁽²⁾</u>
1990	75.5	4.6	9.7	2.2	1.4	3.1	3.5	100.0
1991	75.2	4.7	10.5	2.2	0.7	3.2	3.5	100.0
1992	75.6	4.9	10.3	2.1	-	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	4.7	8.0	2.3	(0.2)	5.2	3.4	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	72.6	8.5	7.3	1.6	0.4	5.6	4.0	100.0

* Information not available

(1) Source: The American Public Transit Association, *APTA 1999 Transit Fact Book*

(2) Total operating expenses exclude depreciation

(3) Preliminary estimate subject to future revision

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

CENTRAL OHIO TRANSIT AUTHORITY
Legal Debt Margin
December 31, 1999
(in thousands)

CALCULATION OF LEGAL OVERALL DEBT MARGIN:

Total assessed property valuation of Franklin County (1999 tax year valuation) (1)	\$21,032,111
Multiplied by: Legal overall debt limitation (%)	5.00%
Equals: Total legal voted and unvoted debt limitation	1,051,606
Less: Nonexempt general obligation debt (voted and unvoted) (2)	1,360
Equals: Legal overall debt margin (maximum amount permitted for new voted and unvoted nonexempt general obligation debt issuance)	\$1,050,246

CALCULATION OF LEGAL UNVOTED DEBT MARGIN:

Total assessed property valuation of Franklin County (1999 tax year valuation) (1)	\$21,032,111
Multiplied by: Legal unvoted debt limitation (%)	0.10%
Equals: Legal unvoted debt limitation	21,032
Less: Maximum aggregate amounts of principal and interest payable in any one calendar year (2)	1,450
Equals: Legal unvoted debt margin (maximum annual debt service charge permitted for new unvoted nonexempt general obligation debt)	\$19,582

Sources:

- (1) Franklin County Auditor's Office; geographical boundaries of Franklin County and the Authority are conterminous
- (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

<u>YEAR</u>	<u>POPULATION</u>	<u>ASSESSED VALUE</u>	<u>GENERAL BONDED DEBT</u>	<u>RATIO OF BONDED DEBT TO ASSESSED VALUE</u>	<u>BONDED DEBT PER CAPITA</u>
		(3)	(4)		
1990	961,437 (1)	\$13,318,712,608	\$8,000,000	0.06%	\$8.32
1991	976,872 (2)	\$13,723,613,795	\$8,000,000	0.06%	\$8.19
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

Note: There was no bonded debt outstanding prior to 1990

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. Assessed property value is for Franklin County for the respective tax year. Geographical boundaries of Franklin County and the Authority are conterminous
- (4) The Authority's independently audited annual financial statement

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

<u>YEAR</u>	<u>GROSS REVENUES (1)</u>	<u>EXPENSES (2)</u>	<u>NET REVENUE OVER EXPENSES AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENTS (3)</u>			<u>DEBT COVERAGE RATIO</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
1991	\$43,508,381	\$39,098,130	\$4,410,251	\$0	\$528,666	\$528,666	8.34
1992	\$44,674,825	\$41,084,415	\$3,590,410	\$10,000	\$528,666	\$538,666	6.67
1993	\$45,263,387	\$41,967,604	\$3,295,783	\$25,000	\$528,087	\$553,087	5.96
1994	\$49,681,092	\$44,690,175	\$4,990,917	\$940,000	\$526,650	\$1,466,650	3.40
1995	\$51,051,391	\$46,226,053	\$4,825,338	\$995,000	\$464,610	\$1,459,610	3.31
1996	\$51,720,105	\$47,308,852	\$4,411,253	\$1,060,000	\$398,940	\$1,458,940	3.02
1997	\$55,750,081	\$50,174,869	\$5,575,212	\$1,130,000	\$328,980	\$1,458,980	3.82
1998	\$59,639,877	\$52,212,282	\$7,427,595	\$1,200,000	\$254,400	\$1,454,400	5.11
1999	\$68,653,750	\$58,723,178	\$9,930,572	\$1,280,000	\$174,900	\$1,454,900	6.83

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) Total revenues include all operating revenues, nonoperating revenues, and the cumulative effect of a change in accounting principle
- (2) Total expenses exclude depreciation and interest expense
- (3) Excludes principal and interest paid on capital lease obligations

CENTRAL OHIO TRANSIT AUTHORITY
Computation of Direct and Overlapping Debt
December 31, 1999

(in 000's)

<u>POLITICAL SUBDIVISION</u>	<u>GROSS GENERAL OBLIGATION DEBT</u>	<u>--APPLICABLE TO THE AUTHORITY--</u>	
		<u>PERCENTAGE (1)</u>	<u>DOLLAR AMOUNT</u>
Central Ohio Transit Authority	\$ 1,360	100.00 %	1,360
Franklin County	175,904	100.00	175,904
Cities wholly within Franklin County	55,446	100.00	55,446
Cities with overlapping jurisdictions:			
City of Columbus	1,269,876	98.16	1,246,510
City of Dublin	59,855	86.13	51,553
City of Pickerington	9,035	0.68	61
City of Reynoldsburg	19,085	78.99	15,075
City of Westerville	41,100	81.22	33,381
Villages wholly within Franklin County	11,829	100.00	11,829
Village with overlapping jurisdiction:			
Village of Canal Winchester	5,691	94.50	5,378
Townships wholly within Franklin County	8,880	100.00	8,880
Township with overlapping jurisdiction:			
Washington Township	2,810	86.52	2,431
School Districts wholly within Franklin County	80,323	100.00	80,323
School Districts with overlapping jurisdictions:			
Canal Winchester Local	19,341	76.19	14,736
Dublin City	128,355	86.56	111,104
Hilliard City	92,257	99.99	92,248
Licking Heights Local	135	28.37	38
Madison Plains Local	100	3.18	3
Olentangy Local	60,107	0.13	78
Pickerington Local	27,520	1.87	515
Plain Local	19,425	99.99	19,423
Reynoldsburg City	20,207	80.43	16,252
South-Western City	162,224	99.77	161,851
Teays Valley Local	680	0.10	1
Westerville City	43,050	76.43	32,903
Delaware County Joint Vocational	530	0.07	0
Eastland Joint Vocational	660	66.30	438
Licking County Joint Vocational	1,110	2.08	23
Library with overlapping jurisdiction:			
Delaware County District Library	2,895	0.08	2
TOTAL:			\$ 2,137,748

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. Geographical boundaries of Franklin County are conterminous with those of the Authority. Valuations used are the 1999 tax year.

CENTRAL OHIO TRANSIT AUTHORITY
Operating Statistics
Last Ten Fiscal Years

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
SYSTEM RIDERSHIP (1)										
Motor bus.....	18,342,446	17,538,350	18,068,524	16,606,796	18,023,895	17,532,795	17,553,264	17,762,583	18,326,115	18,790,187
Demand responsive.....	72,149	73,352	77,597	82,818	90,282	100,974	101,801	106,125	106,398	120,959
AVERAGE WEEKDAY										
SYSTEM RIDERSHIP (1)										
Motor bus.....	63,472	60,388	61,004	56,671	61,663	60,583	59,993	61,183	62,410	64,152
Demand responsive.....	255	263	274	295	320	363	360	377	377	430
VEHICLE MILES OPERATED (1)										
Motor bus.....	9,076,179	9,549,994	9,488,639	9,186,608	9,493,744	9,524,653	9,699,757	9,663,430	10,192,042	10,857,075
Demand responsive.....	804,708	818,010	887,428	1,007,359	1,097,648	1,224,252	1,367,784	1,651,280	1,612,679	1,657,429
AVERAGE WEEKDAY										
VEHICLE MILES OPERATED (1)										
Motor bus.....	30,731	31,875	31,528	30,883	31,982	32,007	32,481	32,360	34,667	36,554
Demand responsive.....	2,826	2,919	3,147	3,606	3,934	4,457	4,901	5,790	5,648	5,812
REVENUE MILES (1)										
Motor bus.....	7,460,316	7,812,271	7,835,470	7,513,683	7,782,654	7,798,315	7,938,033	7,887,056	8,323,748	8,837,544
Demand responsive.....	653,310	678,213	723,599	794,297	888,689	1,000,743	1,134,584	1,328,320	1,314,432	1,376,978
PASSENGER MILES (1)										
Motor bus.....	85,872,588	87,638,415	85,842,515	87,720,583	84,557,756	73,622,749	71,654,194	70,436,988	73,676,286	77,630,395
Demand responsive.....	595,095	616,124	638,321	692,915	738,604	884,662	1,052,776	991,220	993,803	1,197,628

Source:

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

(continued on next page)

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

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
VEHICLE HOURS OPERATED (1)										
Motor bus.....	661,494	673,586	685,413	665,702	681,421	688,191	697,136	701,934	727,710	793,260
Demand responsive.....	50,708	51,078	54,944	58,921	64,391	72,082	79,221	93,220	91,490	96,238
VEHICLE REVENUE HOURS (1)										
Motor bus.....	592,580	603,360	615,143	601,399	611,447	617,900	626,187	631,904	654,377	713,514
Demand responsive.....	43,175	43,929	46,206	49,837	54,812	62,025	68,857	78,304	79,515	83,043
DIESEL FUEL CONSUMPTION (IN GALLONS).....(1)	2,260,770	2,307,329	2,486,911	2,401,843	2,367,318	2,391,932	2,520,895	2,346,910	2,511,320	2,818,479
FLEET REQUIREMENTS (DURING PEAK HOURS) (1)										
Motor bus.....	252	261	255	252	257	255	256	252	258	266
Demand responsive.....	15	15	17	18	19	20	30	32	32	36
TOTAL REVENUE VEHICLES DURING PERIOD (1)										
Motor bus.....	338	361	351	345	344	402	370	325	312	321
Demand responsive.....	17	18	25	31	24	26	41	38	38	43
NUMBER OF EMPLOYEES(2)	697	719	737	727	730 (1)	723 (1)	683 (1)	710 (1)	747 (1)	796

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, 1999

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 in downtown Columbus
- (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, How to Get On It*, published by the Authority

CENTRAL OHIO TRANSIT AUTHORITY
Demographic Statistics
Last Ten Fiscal Years

<u>YEAR</u>	<u>POPULATION</u>	<u>PER CAPITA INCOME</u>	<u>MEDIAN AGE</u>	<u>K - 12 SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
	(1)	(3)	(4)	(6)	(7)
1990	961,437	18,974	31.0	164,908	3.4%
1991	976,872	19,550	31.3	167,850	3.8%
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	*	*	*	*

Note: All information presented is for Franklin County; geographical boundaries of Franklin County are conterminous with those of the Authority

* 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, 1999

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	1,001
Number of routes	66
Number of bus stop locations	5,500
Number of bus stop passenger shelters	345
Number of Park-and-Ride facilities	27
Parking capacity, all Park-and-Ride facilities	2,247 automobiles
Number of active fleet buses	321
Average bus vehicle age	9.0 years
Average system speed	14 miles per hour
Average system fuel economy	4.06 miles per gallon
Number of customer information calls received	1,010,000



**Administrative Offices
and Bus Facility**

1600 McKinley Avenue
Columbus, Ohio 43222
(614) 275-5800

**Light Maintenance
and Storage Facility**

1333 Fields Avenue
Columbus, Ohio 43221

Customer Service Center

117 South High Street
Columbus, Ohio 43215
(614) 228-1776



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
OCTOBER 5, 2000