Central Ohio Transit Authority

Financial Statements for the Years Ended December 31, 2005 and 2004, and Reports Issued Pursuant to OMB Circular A-133 for the Year Ended December 31, 2005

Auditor of State
Betty Montgomery

Board of Trustees
Central Ohio Transit Authority
1600 McKinley Avenue
Columbus, Ohio 43222-1093

We have reviewed the *Independent Auditors' Report* of the Central Ohio Transit Authority, Franklin County, prepared by Deloitte & Touche LLP, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

July 31, 2006

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CENTRAL OHIO TRANSIT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Central Ohio Transit Authority:

We have audited the balance sheets of Central Ohio Transit Authority (the "Authority") as of December 31, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2005 and 2004, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2-13 is not a required part of the basic financial statements but is supplementary information required by GASB. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Authority, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Authority. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2006, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

June 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Central Ohio Transit Authority (the Authority or COTA), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2005. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and identifying any significant changes in financial position. We encourage readers to consider the information presented here, in conjunction with the basic financial statements and notes to the financial statements, which follows this section and provides more specific detail.

Overview of Financial Highlights

- The Authority has net assets of $108.2 million. These net assets result from the difference between total assets of $120.9 million and total liabilities of $12.7 million.

- The Authority's net assets decreased by $5.9 million in 2005 primarily due to an operating loss driven by a combination of factors including flat operating revenue, increased fuel and natural gas costs, and the transfer of certain revenue vehicles to other transit systems. The Authority's net assets decreased by $2.1 million in 2004 primarily due to reduced passenger revenue, increased health care costs, and the transfer of certain revenue vehicles to other transit systems.

- Current assets of $26.5 million primarily consist of non-restricted cash and cash equivalents of $8.9 million; sales tax receivables of $11.9 million, inventory of $1.7 million, and Board designated assets of $2.0 million.

- Current liabilities of $11.6 million primarily consist of accrued payroll and fringe benefits of $5.0 million, and accounts payable of $4.2 million.

- The Authority has no long-term debt.

Basic Financial Statements and Presentation

The financial statements presented by the Authority are the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

The Balance Sheets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets decrease when expenses exceed revenues. A decrease in assets without a corresponding decrease to liabilities results in decreased net assets, which indicate a deteriorated financial position.

The Statements of Revenues, Expenses and Changes in Net Assets on page 16 presents information showing how the Authority's net assets changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal and state governments.

The Statements of Cash Flows on pages 17-18 allow financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statements are classified into four categories: 1) cash flows from operating activities, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 19-34.

Requests for Information

This financial report is designed to provide a general overview of the Central Ohio Transit Authority's financial status and performance. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of Chief Financial Officer
Central Ohio Transit Authority
1600 McKinley Avenue
Columbus, OH 43222-1093
www.COTA.com

Financial Analysis of the Authority

Condensed Summary of Net Assets

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

Description	2005	2004	2003
Assets			
Current Assets	$ 23,905,364	$ 26,527,017	$ 29,246,365
Board Designated Assets (current)	1,969,885	2,721,804	3,190,438
Restricted Assets (current)	649,631	536,110	437,146
Total Current Assets	26,524,880	29,784,931	32,873,949
Board Designated Assets (non-current)	11,535,204	11,918,260	11,724,156
Capital Assets (net of accumulated depreciation)	82,895,537	82,607,483	82,306,157
Total Non-Current Assets	94,430,741	94,525,743	94,030,313
Total Assets	120,955,621	124,310,674	126,904,262
Liabilities			
Current Liabilities	11,600,596	9,835,968	9,609,749
Non-Current Liabilities	1,134,144	383,559	1,080,600
Total Liabilities	12,734,740	10,219,527	10,690,349
Net Assets			
Net Assets Invested in Capital Assets	82,895,537	82,607,483	82,306,157
Net Assets Restricted for Capital Assets	649,631	536,110	437,146
Net Assets Unrestricted	24,675,713	30,947,554	33,470,610
Total Net Assets	$ 108,220,881	$ 114,091,147	$ 116,213,913

Most of the Authority's net assets reflect investment in capital assets such as buses, maintenance equipment, and operating facilities. The Authority uses these capital assets to provide public transportation services for Franklin County and portions of the cities of Columbus, Reynoldsburg, and Westerville that are located in counties adjacent to Franklin County. The Authority's investment in capital assets as of December 31, 2005 amounts to $82.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, revenue vehicles, transit centers, other equipment, and construction in progress. The total increase in COTA's investment in capital assets for 2005 was $0.3 million.

Major capital asset events during 2005 included the following:

- Acquired twelve replacement 35-foot buses for a total of $3.2 million.
- Transferred nineteen buses with a net book value of $2.4 million to other transit systems.
- Completed construction of the $2.4 million Near East Transit Center
- Completed construction of the $1.9 million Easton Daycare Facility

Contributions to construction in progress including the following projects:

- Continued progress toward the completion of the Draft Environmental Impact Statement (DEIS) for the North Corridor Light Rail Project amounted to $3.6 million.
- Continued progress toward completion of the second phase of the replacement of the roof at the 1600 McKinley Avenue facility amounted to $1.1 million.
- Continued progress toward implementation of the Intelligent Transportation System including the Annunciator and Automated Passenger Counter projects totaled $0.6 million.

Additional information on the Authority's capital assets can be found in Note 4 in the Notes to the Financial Statements located on pages 27-28.

The Authority's current assets at the end of 2005 are composed of cash and cash equivalents (41%), receivables (51%), inventory (7%), and other assets (1%) consisting predominately of prepaid expenses.

Expenses by Functional Category

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

EXPENSES BY FUNCTION (Excluding Depreciation)

Description	2005	2004	2003
Transportation	$ 42,942,412	$ 40,853,870	$ 39,393,646
Vehicle Maintenance	12,768,801	12,054,086	12,816,246
Facilities Maintenance	4,375,327	4,492,409	4,962,347
General & Administrative	13,752,089	14,076,576	13,918,876
Total	$ 73,838,629	$ 71,476,941	$ 71,091,115

In accordance with NTDR guidelines, the 2005 and 2004 expenses include additional costs of $25,908 and $10,934 respectively, collected directly by the service provider from the Authority's customers during implementation of a new Sedan Voucher Service for disabled passengers.

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

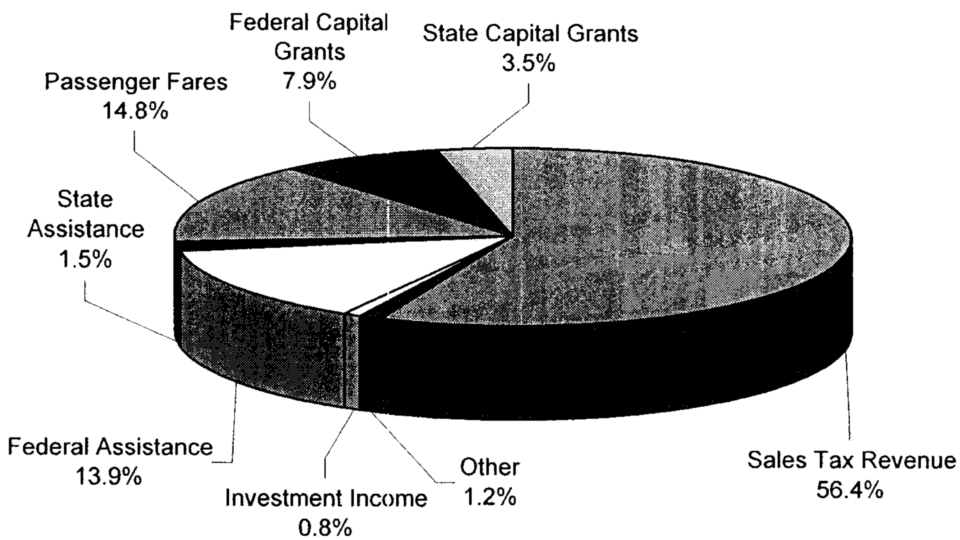
Description	2005	2004	2003
Operating Revenues			
Passenger Fare Revenues	$ 11,404,545	$ 11,420,919	$ 12,013,121
Special Services Revenue	337,661	380,907	397,323
Other: Auxiliary Transportation Revenues	371,971	514,923	567,328
Total Operating Revenues	12,114,177	12,316,749	12,977,772
Non-Operating Revenues			
Sales Tax Revenues	44,821,588	44,984,894	43,773,881
Federal Assistance	11,055,758	10,687,631	10,874,105
State Assistance	1,184,646	941,703	721,556
Investment Income	649,640	293,186	423,413
Non-transportation and Other Revenues	538,547	402,391	440,485
Total Non-Operating Revenues	58,250,179	57,309,805	56,233,440
Total Revenue before Capital Grants	70,364,356	69,626,554	69,211,212
Operating Expenses			
Labor	31,829,043	32,052,900	32,751,632
Fringe Benefits	21,155,637	20,776,073	19,934,358
Materials and Supplies	8,588,212	6,858,978	6,655,227
Purchased Transportation	4,530,514	4,411,484	4,257,470
Services	3,722,092	3,951,600	3,808,065
Other Expenses	3,987,223	3,414,972	3,684,363
Operating Expenses before Depreciation	73,812,721	71,466,007	71,091,115
Depreciation Expense	9,114,603	9,859,816	10,938,634
Total Operating Expenses	82,927,324	81,325,823	82,029,749
Loss before Capital Grants and Special Item	(12,562,968)	(11,699,269)	(12,818,537)
Capital Grant Revenues:			
Federal	6,302,087	8,323,292	6,398,882
State	2,783,162	2,690,281	2,274,687
Other	-	366,884	-
Total Capital Grant Revenues	9,085,249	11,380,457	8,673,569
Special Item: Loss on Transfer of Assets	(2,392,547)	(1,803,954)	-
Change in Net Assets during the Year	(5,870,266)	(2,122,766)	(4,144,968)
Net Assets, Beginning of Year	114,091,147	116,213,913	120,358,881
Net Assets, End of Year	$ 108,220,881	$ 114,091,147	$ 116,213,913

CENTRAL OHIO TRANSIT AUTHORITY

Revenues by Source

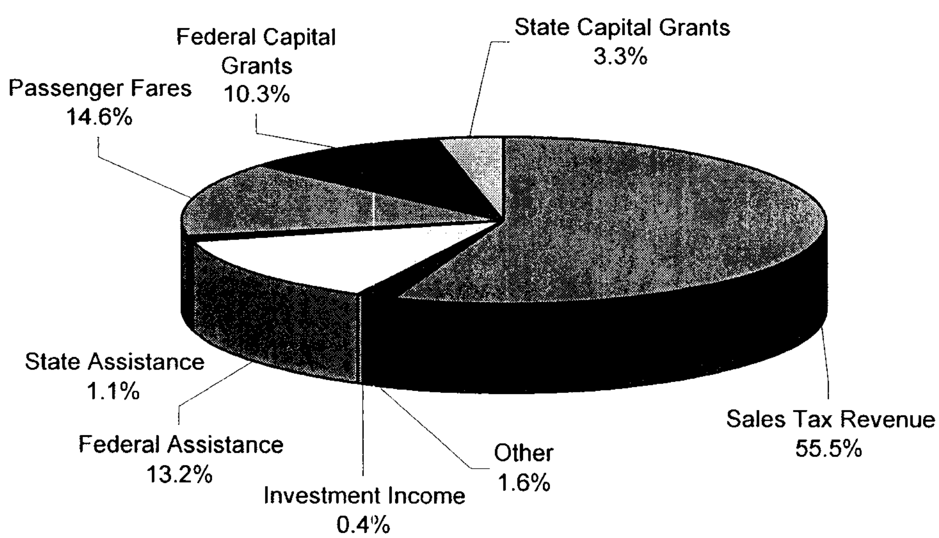
2005 Total Revenues

$79,449,605



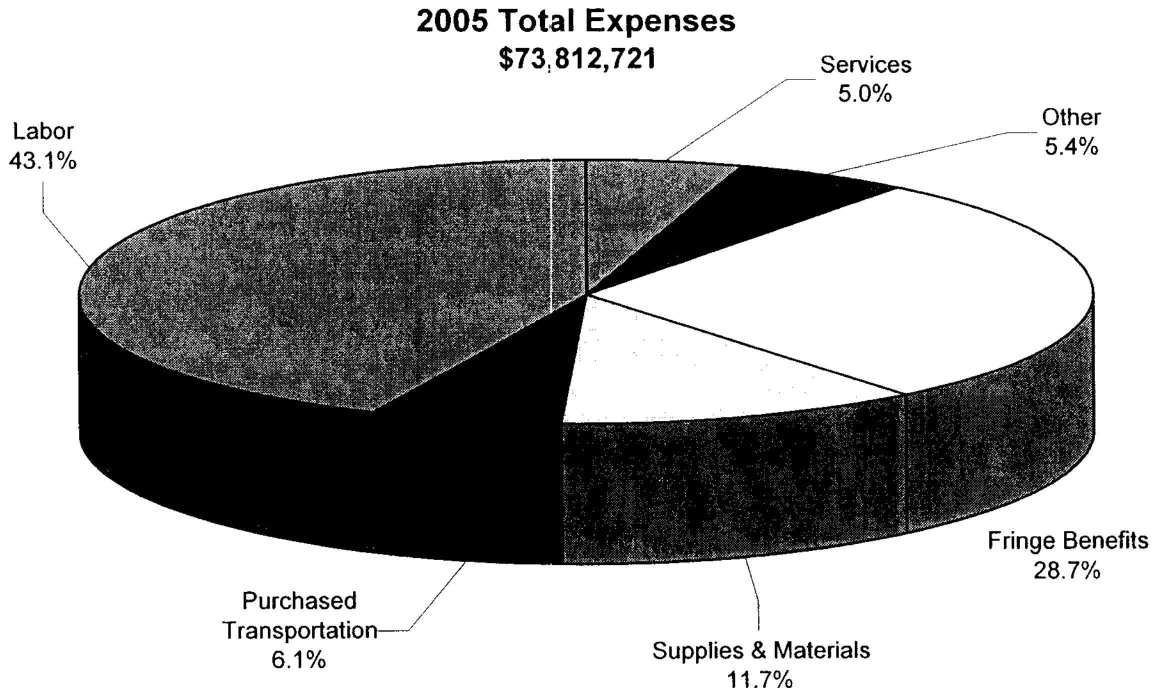
2004 Total Revenues

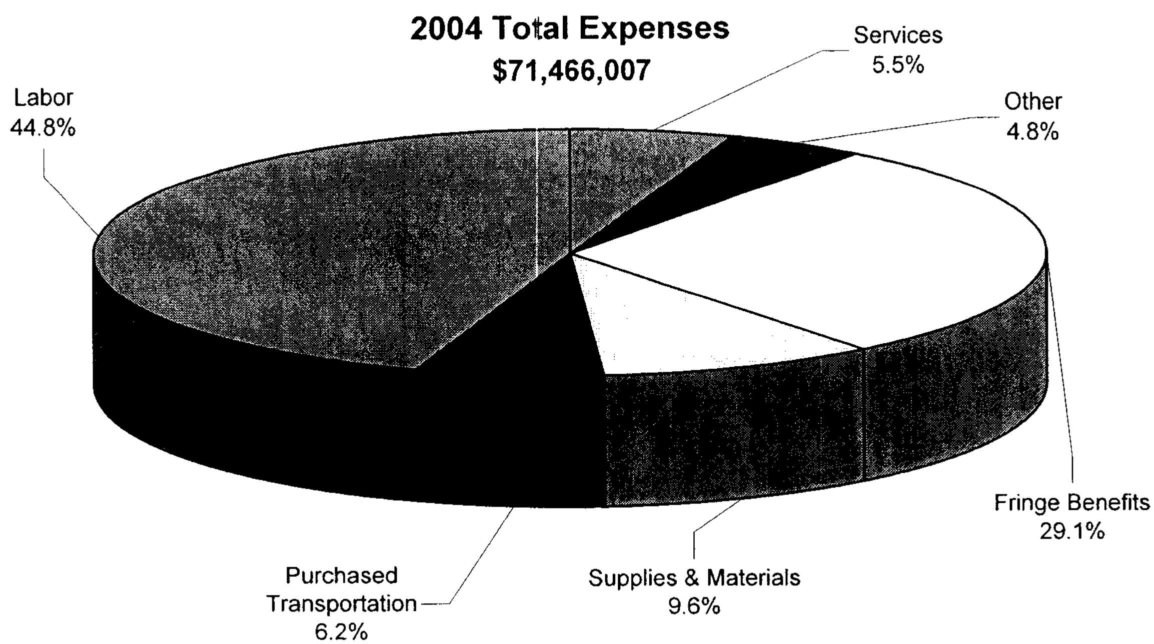
$81,007,011



CENTRAL OHIO TRANSIT AUTHORITY

Expense by Object Class
(Excluding Depreciation)





Financial Operating Results

Revenues

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

Passenger Fares are comprised of farebox revenues and special services revenues. The slight 2005 decrease from 2004 is attributed to a reduction in bus service levels initiated in May 2004, causing ridership levels to decrease during the first half of 2005. The 2004 decrease from 2003 is attributed to a reduction in bus service levels initiated in May 2004.

Sales Tax Revenues are received from a permanent ¼% sales tax levy approved by voters in November 1999 and applicable to the Authority's service area. The slight decrease in 2005 is due to slowing economic growth in COTA's taxing district. The increase in 2004 revenues is due to positive economic factors and a one-time program implemented by the State of Ohio to compel electronic fund transfer (EFT) filers to become current in filing sales tax returns.

Federal Assistance is received from the Federal Transit Administration (FTA) for general operating expenses and capital programs. With the passage of the Transportation Equity Act of the 21st Century (TEA-21), regional transit authorities were given the latitude to use their Section 5307 Federal Formula Assistance on the capitalization of maintenance instead of the purchase of capital assets. The Authority has elected to use its Section 5307 funds on vehicle maintenance, permitting the full use of this allocation each year, and freeing local funds for future capital projects. The increase in Federal Assistance in 2005 was due to an increase in funding the total allocation to all public transit agencies for Section 5307 funds by the Federal government. The decrease for Federal Assistance in 2004 was due to a reduction in funding for Section 5307 funds by the Federal government.

Federal Capital Grants are received from the FTA for capital projects and capital acquisitions. Federal Capital Grants reimburse the Authority in part for the purchase of new buses and equipment. The reduction in Federal Capital Grants in 2005 is due to the completion of the Easton Daycare Center and the Near East Transit Center construction projects and a decrease in funding for the North Corridor Light-Rail project. The increase in Federal Capital Grants in 2004 is attributed to increases for funding the North Corridor Light-Rail project, reimbursement for the construction of the Easton Daycare Center, the annunciator (automatic voice messaging system) project, the Intelligent Transportation Systems (ITS) planning and standards development project, facility improvements, and the purchase of buses and paratransit vehicles.

State Assistance is received from the Ohio Department of Transportation (ODOT) for elderly and disabled rider reduced-fare subsidies, and for reimbursement of State fuel taxes. COTA is required to pay State taxes on diesel fuel, but is refunded \$0.27 of the \$0.28 per gallon paid. The increase for State Assistance in both 2005 and 2004 was due primarily to an increase in the elderly and disabled passenger fare assistance program.

State Capital Grants are received from ODOT for capital projects and capital acquisitions. State Capital Grants reimburse the Authority in part for the purchase of new buses and equipment. The increase in State Capital Grants in 2005 and 2004 was for funding the North Corridor Light-Rail project, reimbursement for the construction of the Easton Daycare Center, the implementation of the annunciator and automatic passenger counter projects, and the purchase of buses. In 2005, the increase is also attributable to reimbursement for the construction of the Near East Transit Center. In 2004, the increase is attributable to reimbursement for the Front Street Bridge portion of the Downtown Multimodal Transportation Terminal (MMTT) project and the purchase of paratransit vehicles.

Investment Income is earned on invested funds. The 2005 Investment Income is significantly higher due to higher investment rates than in 2004. During 2004, lower cash balances in the investment accounts along with a decrease in interest rates in the fixed income financial markets contributed to decreasing investment income.

Non-Transportation and Other Revenues consist of auxiliary transportation revenues and non-transportation revenues. Auxiliary transportation revenues represent fees collected for advertising placed in and on buses and decreased in 2005 and 2004 due to economic conditions. Non-transportation revenues include all other various miscellaneous income items.

Expenses

Labor comprises nearly half of the total Authority expenses and includes hourly wages paid to union-represented employees (bus operators, mechanics and facility maintenance personnel), and salaries and wages paid to administrative staff (clerical, supervisory and management personnel). During May 2005, COTA eliminated fifteen administrative positions as part of a reorganization of the Authority's administrative departments, thereby reducing labor expense below 2004 levels. In 2004, an average pay rate increase of 2% was offset by increases in the employee attrition rate.

Fringe Benefits consist primarily of vacation, sick and holiday pay, required Authority contributions to the Ohio Public Employees Retirement System (OPERS), and employee medical benefits. Required employer contributions to OPERS were made at the rate of 13.55% of total gross taxable wages.

Additionally, in 2005, an OPERS "pickup" of 5.5% of the individual's gross taxable wages was contributed for collective bargaining units and administrative employees. The increase in fringe benefits in 2005 is due to rising medical insurance costs and an increase in Workers' Compensation expense caused by a significant adjustment to the liability reserve to recognize future liabilities. In 2004, a "pickup" was contributed ranging from 4.0% to 5.5% dependent upon the collective bargaining unit for represented employees and 5.5% for administrative employees. The increase in fringe benefits in 2004 was due to rising medical insurance costs, increased OPERS "pickup" contribution, and increased workers compensation expense.

Materials and Supplies include the Authority's diesel fuel expense and parts used in the maintenance of buses and facilities. The primary factor for the 2005 increase in expenses is a 44.2% increase in the average price per gallon of diesel fuel along with a slight increase in fuel consumption of approximately 36,000 gallons. Another factor that also increased expenses was the write-off of the ABI bus parts inventory. The primary factor for the 2004 increase is a 28.8% increase in the average price per gallon of diesel fuel despite the reduction in fuel consumption of over 134,000 gallons due to reduced bus service hours.

Purchased Transportation expense is comprised of amounts paid to a private local contractor to provide the Authority's Project Mainstream service (door-to-door, service-on-demand in wheelchair lift-equipped minibuses for disabled riders). Although the total Project Mainstream ridership was only a slight increase of less than 1% in 2005, challenges with scheduling led to decreased productivity. The 2004 increase was driven by a 6.2% billing rate increase that became effective August 1, 2004 which offset a 1.9% decrease in the number of revenue hours provided.

Professional Services are provided by outside contractors to the Authority for a wide variety of professional, technical, consulting and maintenance needs. The decrease for 2005 is due to a reduction in legal expense. The slight increase for 2004 is due to increased legal activity.

Other Expenses consist primarily of utilities, taxes, interest, leases and rentals, claims and insurance and other miscellaneous expenses. Taxes were paid to the State on diesel fuel consumption at the rate of $0.26 per gallon until July 2005, and at the rate of $0.28 thereafter, which was responsible for the increase in fuel taxes paid. Real estate taxes are paid on non-exempt Authority property. Leases and rentals are paid on the downtown COTA Connection customer service center, the COTA Business Development Division office on Lake Shore Drive, the Project Mainstream paratransit offices on Phillipi Road, certain park-and-ride facilities, and miscellaneous equipment. The 2004 expenses decreased slightly due to cost-reducing measures implemented related to the use of copying machines. In addition, 2004 claims and insurance expense decreased due to reduced self-insurance claims for property damage.

Analysis of 2005 Financial Results

The year 2005 brought new challenges to COTA in its efforts to reverse the decline of the Authority's Net Assets. Soaring commodity prices for diesel fuel and natural gas added $1,374,000 and $221,000 worth of additional expense, respectively, to the Authority's 2005 Change in Net Assets. Sales Tax Revenue from the Authority's 0.25% sales tax in its taxing district, which normally increases from year to year, was down from 2004 by $163,000. To counteract these additional financial pressures by reducing fixed expenses, the Authority in May 2005 implemented an organizational improvement program to restructure the Authority's administrative staff. Led by COTA managers along with civic business leaders, the organizational improvement program made recommendations for improvements relating to the Authority's fixed route operations, vehicle maintenance operations, computer technology, marketing and communications, and labor relations. COTA's senior management, after a thorough review and assessment, implemented many of these recommendations.

During the month of December 2005, the Authority reached an agreement with Transport Workers' Union Local # 208 on a new three-year contract for the bargaining units representing the Authority's bus drivers, mechanics, and maintenance workers. The contract initially provides employees a lump-sum payment of $1,600 for skilled classifications and $800 for unskilled classifications, no general increase during the first year, and a 2% pay raise in each of the second and third years. The contract also includes provisions for graduated increases up to 10% of employee contributions on healthcare insurance premiums and changes to the union work rules designed to increase employee productivity in the workplace.

The Authority had previously received a "recommended" rating from the Federal Transit Administration (FTA) for the North Corridor Light Rail Project (NCLRT), a proposed thirteen mile long light rail line stretching from downtown Columbus to its far north side that also included fourteen rail stations, construction of a rail maintenance and storage facility, and the procurement of eighteen light rail vehicles. To retain the "recommended" status for the NCLRT for 2004, the Authority had to secure local funding by means of the passage of a tax levy to finance the Authority's portion of the project. Given the troubled economic climate of central Ohio at the beginning of 2004, the probability of the voters in the COTA taxing district approving a 0.25% sales tax increase to fund the NCLRT was not likely and a decision was made not to place the issue before the voters. In December 2004, the Authority notified the FTA and withdrew the NCLRT from the Preliminary Engineering phase in order to avoid a "not recommended" rating for the project. This decision will allow the Authority to re-apply for a rating to the FTA once local funding is secured.

The Authority then committed itself to advancing the NCLRT (now referred to as the North Corridor Transit Project) through the completion of the Draft Environmental Impact Statement (DEIS), scheduled for completion in 2006. During 2005, the Authority expanded the DEIS analysis to include other transportation options including the usage of streetcars or bus rapid transit as a reduced cost alternative to light rail in the north corridor.

The 2005 and 2004 Statements of Revenues, Expenses and Changes in Net Assets include a Special Item for the loss on transfer of assets. These items represent the continuation of a 2004 initiative to dispose of 38 revenue vehicles prior to the end of their useful life. In 2005, the loss of $2,392,547 resulted from the transfer of the federal interest of nineteen Advanced Bus Industries (ABI) buses to other transit systems eligible to receive FTA funding. In 2004, the loss of $1,803,954 resulted from the transfer of the federal interest of thirteen Advanced Bus Industries (ABI) buses to other transit systems that are eligible to receive FTA funding. Several factors led to the decision to transfer these buses, including the high maintenance costs and other challenges experienced by the Authority and its passengers. In 2005, the buses were transferred to transit systems in Colorado and Florida. In 2004, the buses were transferred to transit systems in California and South Dakota. Additional information on this Special Item may be found on Note 10 in the Notes to the Financial Statements located on page 33.

Overall, the Authority's decrease in net assets in 2005 of $5.9 million represents a 5% reduction in the Authority's Net Assets compared to 2004 and a 7% reduction since 2003. To counteract this trend, the Authority took action to reduce expenses in 2005 by reducing administrative expenses, disposing of inefficient buses, researching the use of alternative fuels, and negotiating a new labor agreement that provides financial stability for the next three years. In 2006, the Authority will implement additional measures including service reductions and the elimination of unproductive routes, consolidating fixed-route bus operations by relocating the Fields Avenue bus operations to the McKinley Avenue facility, and relocating paratransit operations from a leased facility located at Phillipi Road on the west-side of Columbus to the Authority's owned facility at a more-centrally located Fields Avenue. Consistent with management objectives, COTA continues to explore opportunities to increase the efficiency of every aspect of its operation in an effort to maximize available resources towards the provision of public transportation services for Central Ohio.

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets
December 31, 2005 and 2004

ASSETS	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,937,160	$ 6,923,843
Receivables:		
Sales tax	11,944,616	11,909,869
Federal operating assistance	-	4,265,558
Other	869,175	1,098,062
Inventory of materials and supplies	1,737,755	1,936,862
Other	416,658	392,823
Total	23,905,364	26,527,017
Board designated:		
Cash and cash equivalents - capital grants	1,366,749	2,291,141
Cash and cash equivalents - self insurance	603,136	430,663
Total	1,969,885	2,721,804
Restricted for capital grants:		
Federal capital grants receivable	506,343	439,465
State capital grants receivable	143,288	96,645
Total	649,631	536,110
Total current assets	26,524,880	29,784,931
NON-CURRENT ASSETS:		
Board designated:		
Cash and cash equivalents - self insurance	11,535,204	9,934,762
Investments - self-insurance	-	1,983,498
Total	11,535,204	11,918,260
Property and equipment		
Cost	178,388,367	171,308,856
Less accumulated depreciation	(95,492,830)	(88,701,373)
Total	82,895,537	82,607,483
Total non-current assets	94,430,741	94,525,743
TOTAL ASSETS	$ 120,955,621	$ 124,310,674

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets (continued)
December 31, 2005 and 2004

LIABILITIES AND NET ASSETS	2005	2004
CURRENT LIABILITIES:		
Accrued payroll and fringe benefits	$ 5,042,377	$ 5,592,120
Accounts payable	4,166,044	2,705,029
Accrued payroll taxes	655,850	649,868
Estimated workers compensation claims	130,208	141,519
Estimated claims payable	472,928	289,144
Other current liabilities	1,133,189	458,288
Total current liabilitites	11,600,596	9,835,968
NON-CURRENT LIABILITIES:		
Accrued fringe benefits	617,990	199,910
Deferred revenue lease property	50,908	-
Estimated workers compensation claims	390,746	96,399
Estimated claims payable	74,500	87,250
Total non-current liabilitites	1,134,144	383,559
TOTAL LIABILITIES	12,734,740	10,219,527
NET ASSETS:		
Invested in capital assets	82,895,537	82,607,483
Restricted for capital assets	649,631	536,110
Unrestricted	24,675,713	30,947,554
TOTAL NET ASSETS	108,220,881	114,091,147
TOTAL LIABILITIES AND NET ASSETS	$ 120,955,621	$ 124,310,674

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Net Assets
Years ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUES:		
Passenger fares for transit service	$ 11,404,545	$ 11,420,919
Special transit fares	326,018	347,367
Charter service revenue	11,643	33,540
Auxiliary transportation revenue	371,971	514,923
Total	12,114,177	12,316,749
OPERATING EXPENSES OTHER THAN DEPRECIATION:		
Labor	31,829,043	32,052,900
Fringe benefits	21,155,637	20,776,073
Materials and supplies	8,588,212	6,858,978
Purchased transportation	4,530,514	4,411,484
Services	3,722,092	3,951,600
Utilities	1,570,945	1,307,472
Taxes	742,924	691,837
Leases and rentals	570,504	516,590
Claims and insurance, net of settlements	595,191	274,749
Advertising	155,080	209,062
Miscellaneous	352,579	415,262
Total	73,812,721	71,466,007
DEPRECIATION	9,114,603	9,859,816
Total operating expenses	82,927,324	81,325,823
OPERATING LOSS	(70,813,147)	(69,009,074)
NON-OPERATING REVENUES:		
Sales tax revenues	44,821,588	44,984,894
Federal operating grants and reimbursements	11,055,758	10,687,631
State operating grants, reimbursements and special fare assistance	1,184,646	941,703
Investment income	649,640	293,186
Nontransportation and other revenue	538,547	402,391
Total	58,250,179	57,309,805
Loss before capital grants & special item	(12,562,968)	(11,699,269)
CAPITAL GRANT REVENUES:		
Federal	6,302,087	8,323,292
State	2,783,162	2,690,281
Other	-	366,884
Total	9,085,249	11,380,457
SPECIAL ITEM -		
Loss on transfer of assets	(2,392,547)	(1,803,954)
Total	(2,392,547)	(1,803,954)
CHANGES IN NET ASSETS	(5,870,266)	(2,122,766)
NET ASSETS, BEGINNING OF YEAR	114,091,147	116,213,913
NET ASSETS, END OF YEAR	$ 108,220,881	$ 114,091,147

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 11,733,106	$ 11,801,826
Cash payments to suppliers for goods and services	(20,101,815)	(17,235,008)
Cash payments to employees for services	(31,836,063)	(32,260,165)
Cash payments for employees benefits	(21,280,279)	(21,284,801)
Cash payments for casualty and liability	(843,592)	(621,482)
Other receipts	1,139,405	535,070
Net cash used in operating activities	(61,189,238)	(59,064,560)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Sales taxes received	44,786,841	44,745,669
Federal operating assistance received	15,321,316	6,428,596
State operating and other assistance received	1,593,635	941,703
Net cash provided by non-capital financing activities	61,701,792	52,115,968
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal capital grants received	6,235,209	8,034,614
State capital grants received	2,736,519	2,879,995
Acquisition and construction of fixed assets	(9,563,680)	(11,985,135)
Proceeds from sale of fixed assets	308,100	-
Net cash used in capital and related financing activities	(283,852)	(1,070,526)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	649,640	389,735
Purchases of investments	-	(1,964,924)
Sales of investments	1,983,498	9,031,617
Net cash provided by investing activities	2,633,138	7,456,428
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,861,840	(562,690)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,580,409	20,143,099
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,442,249	$ 19,580,409

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows (continued)
Years ended December 31, 2005 and 2004

	2005	2004
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	$ (70,813,147)	$ (69,009,074)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	9,114,603	9,859,816
Inventory obsolescence reserve adjustments	500,000	(450,118)
Deferred Revenue	64,792	-
Other receipts	538,547	402,391
Change in assets and liabilities:		
Decrease (increase) in other receivables	228,887	(382,244)
Decrease (increase) in materials and supplies inventory	(300,893)	671,505
Decrease (increase) in other assets	(23,835)	(72,937)
Increase (decrease) in accounts payable, accrued compensation, self-insurance liabilities and other	696,294	(83,899)
Net cash used in operating activities	$ (59,994,752)	$ (59,064,560)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Property purchases in accounts payable	$ 1,597,390	$ 412,004
Land for Near East Transit Center donated by Columbus Compact Corporation	$ -	$ 366,884

See notes to financial statements.

(1) Organization and Reporting Entity

(a) Organization

The Central Ohio Transit Authority (COTA or the Authority) is an independent, special purpose 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 government unit.

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

The Authority also has the power, under Section 306.40 of the Ohio Revised Code, to levy and collect both voted (after approval at an election) and unvoted ad valorem taxes on all the taxable property within the territorial boundaries of the Authority, in order to pay debt service on its bonds and notes issued in anticipation thereof. Ad valorem taxes were not levied during fiscal years 2005 and 2004.

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.

(Continued)

(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 organization, 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.

(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 issues on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Authority also has the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance as it relates to its operations.

(b) Cash and Cash Equivalents

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

(Continued)

(c) Grant and Assistance

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

(d) Investments

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

(e) Inventory of Materials and Supplies

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

(f) Board Designated Assets

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

(g) Designated for Capital Grant Expenditures

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

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

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

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

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

(Continued)

(i) *Classifications of Revenues*

The Authority has classified its revenue as operating, non-operating or capital grant. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, advertising, and concession revenue. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, or other reimbursement or donation for the acquisition of property and equipment.

Recognition of Revenue and Receivables

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

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

(j) *Property and Depreciation*

Property and equipment are stated at historical cost and include expenditures that substantially increase the useful lives of existing assets. Routine maintenance and repairs are expensed as incurred. An asset is capitalized if its value exceeds $2,000 and it has an economic life of greater than one year. The asset capitalization level for projects funded by grants is the full cost of the assets acquired regardless of the cost. The capitalization cost of a physical asset is defined to be the full cost of placing the asset into productive service.

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

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

(Continued)

(j) *Property and Depreciation (Continued)*

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

(k) *Estimated Claims Payable*

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

(l) *Compensated Absences*

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

	Current	Non-current
Compensated Absences Liability December 31, 2003	$ 3,875,165	$ 870,080
Vacation & Sick Liability Earned	3,853,764	-
Vacation & Sick Liability Paid	(3,692,322)	(670,170)
Compensated Absences Liability December 31, 2004	$ 4,036,607	$ 199,910
Vacation & Sick Liability Earned	3,757,201	-
Vacation & Sick Liability Paid	(4,299,923)	418,080
Compensated Absences Liability December 31, 2005	$ 3,493,885	$ 617,990

(m) *Passenger Fares*

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

(n) *Budgetary Accounting and Control*

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

(Continued)

(o) ***Use of Estimates***

The accounting and reporting policies of COTA conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results differ from those estimates.

(p) ***Non-exchange Transactions***

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2005 will be recognized as revenue in 2005. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

(q) ***New Accounting Pronouncements***

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* which establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The standard is effective for the periods beginning after December 15, 2004. We have completed our analysis of the effects of GASB No. 42 and found no significant impact to the 2005 financial statements.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans.* The standards in this statement apply for trust funds included in financial reports of plan sponsors or employers, as well as for the standalone financial reports of Other Postemployment Benefits ("OPEB") plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 31, 2005.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This statement established standards for the measurement, recognitions, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of the state and local government employers. This statement is effective for periods beginning after December 15, 2006.

(Continued)

(q) New Accounting Pronouncements (Continued)

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes standards for accounting and financial reporting for termination benefits provided by employers including early retirement incentives, severance benefits, and other termination-related benefits. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2005.

Central Ohio Transit Authority has not yet determined the impact that implementation of GASB Statement Nos. 43, 45, and 47 will have on its consolidated financial statements.

(3) Cash and Investments

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and 2004.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

(a) Deposits With Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposit. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

At December 31, 2005, the carrying amount of the Authority's deposits with financial institutions was $4,472,967 and the bank balance was $6,007,501. The difference results mainly from outstanding checks. Based on criteria as described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure", as of December 31, 2005, $100,919 was covered by Federal Deposit Insurance. The $5,907,501 exposed to custodial risk was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name. In addition, the Authority had $5,220 of cash on hand.

At December 31, 2004, the carrying amount of the Authority's deposits with financial institutions was $2,989,392 and the bank balance was $3,965,738. The difference results mainly from outstanding checks. In addition, the Authority had $5,220 of cash on hand. The amount of $100,000 was insured by the Federal Deposit Insurance Corporation and $3,865,738 was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name.

(b) Investments and Other Deposits

As of December 31, 2005 and 2004, the Authority held equity of $17,964,062 and $16,585,797, respectively, in the STAR Ohio investment pool. As of March 2006, Star Ohio has maintained the highest Standard and Poors rating of AAA. This investment has not been categorized based on a custodial risk because it is not a security. The relationship between the Authority and the investment asset is a direct contractual relationship and the investments evidence ownership or creditor ship. In 2004, the Authority held U.S. Treasury notes and federal agency obligations of $1,983,498 which matured in 2005.

(Continued)

(4) Capital Assets

Capital asset activities for the years ended December 31, 2005 and 2004 are as follows:

	January 1, 2005	Additions	Disposals	Transfers	December 31, 2005
Capital Assets Not Being Depreciated:					
Land	$ 5,540,116	$ -	$ (94,540)	$ -	$ 5,445,576
CIP	19,007,340	3,525,037	(91,220)	(2,747,196)	19,693,961
Total	24,547,456	3,525,037	(185,760)	(2,747,196)	25,139,537
Capital Assets Being Depreciated:					
Land and leasehold improvements	8,945,518	-	-	151,528	9,097,046
Building and improvements	38,675,598	3,678,541	-	2,595,668	44,949,807
Revenue vehicles	68,728,879	4,697,629	(4,100,356)	-	69,326,152
Transit shelter	2,120,905	-	-	-	2,120,905
Other equipment	28,290,500	33,244	(568,824)	-	27,754,920
Total	146,761,400	8,409,414	(4,669,180)	2,747,196	153,248,830
Less Accumulated Depreciation:					
Land and leasehold improvements	(6,077,564)	(203,844)	-	-	(6,281,408)
Building and improvements	(16,430,817)	(1,197,765)	-	-	(17,628,582)
Revenue vehicles	(40,715,897)	(5,281,506)	1,667,186	-	(44,330,217)
Transit shelter	(2,037,608)	(57,081)	-	-	(2,094,689)
Other equipment	(23,439,487)	(2,271,485)	553,038	-	(25,157,934)
Total	(88,701,373)	(9,011,681)	2,220,224	-	(95,492,830)
Total Capital Assets Being Depreciated, Net	58,060,027	(602,267)	(2,448,956)	2,747,196	57,756,000
Total Capital Assets, Net	$ 82,607,483	$ 2,922,770	$ (2,634,716)	$ -	$ 82,895,537

For discussion of the $2,392,547 transfer of revenue vehicles, see Note 10, Special Item.

(4) Capital Assets (Continued)

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

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

(5) Leases

COTA leases certain property and office equipment under operating leases. Rental expense for all operating leases was approximately $653,000 in 2005 and $709,000 in 2004. No lease commitments exist after 2008. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consists of the following at December 31, 2005:

	Commitments under Operating Leases
2006	$ 295,402
2007	176,052
2008	4,929
Total minimum lease payments	$ 476,383

(Continued)

(6) Grants, Reimbursements and Special Fare Assistance

Grants, reimbursements and special fare assistance included in the Statement of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2005 and 2004, consist of the following:

	2005	2004
Federal:		
FTA Operating Assistance	$ 11,055,758	$ 10,687,631
FTA Capital Assistance	6,302,087	8,323,292
Total	$ 17,357,845	$ 19,010,923
State:		
ODOT Elderly and Disabled Fare Assistance	$ 533,172	$ 357,062
ODOT Fuel Tax Reimbursement	651,474	584,641
ODOT Capital Assistance	2,783,162	2,690,281
Total	$ 3,967,808	$ 3,631,984
Other:		
Land donated for Near East Transit Center	$ -	$ 366,884

(7) Risk Management

COTA is exposed to various risks of loss related to torts, theft or destruction of assets, injuries to employees and natural disasters. The Authority purchases commercial insurance for employee bonding, flood, fire, property, crime, travel and general liability.

COTA is self-insured for all public liability, personal injury and property damage claims. The estimated liability for such claims of $547,428 at December 31, 2005, and $376,394 at December 31, 2004, are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 2005, and 2004, $12,138,340 and $12,348,923, respectively, were restricted by the Board of Trustees to fund the self-insurance program. Such funds are included in board designated assets in the accompanying balance sheets.

Prior to June 30, 1998, COTA was insured through the State of Ohio Bureau of Workers' Compensation (BWC) for injuries to its employees. On July 1, 1998, the Authority entered into an agreement with the BWC to become self-insured for claims pertaining to work-related injuries to Authority employees occurring on or after that date. The BWC agreed to continue to administer and pay all compensation claims arising on or before June 30, 1998. The estimated liability for all such claims occurring since July 1, 1998, is $520,954 at December 31, 2005, and is included as a liability in the accompanying balance sheet.

(Continued)

(7) Risk Management (Continued)

The general claims liability was calculated by establishing reserves on a case-by-case basis after analysis by in-house counsel and outside attorneys. The workers' compensation liability was determined by analyzing claim lag information provided by COTA third party administrators. A summary of changes in self-insurance claims liability for the years ended December 31, 2005 and 2004 follows:

	General Liability	Workers' Compensation
Claims liability at December 31, 2003	$ 341,913	$ 234,240
Incurred claims, net of favorable settlements	141,968	517,673
Claims paid	(107,487)	(513,995)
Claims liability at December 31, 2004	376,394	237,918
Incurred claims, net of favorable settlements	529,127	768,535
Claims paid	(358,093)	(485,499)
Claims liability at December 31, 2005	$ 547,428	$ 520,954

(8) Pension Plan

(a) Plan Description

COTA contributes to the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets similar to the Member-Directed Plan.

(Continued)

(a) ***Plan Description***

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Chapter 145 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling 1-614-222-6701 or 1-800-222-PERS (7377).

(b) ***Funding Policy***

The ORC provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. Plan members are required to contribute 8.5% of their annual covered salary and COTA is required to contribute an actuarially determined rate. The 2005 and 2004 employer contribution rate for local government employer units was 13.55% of annual covered payroll. The Authority's contributions to OPERS for the years ending December 31, 2005 and 2004 were approximately $4,887,000 and $5,020,000, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

(c) ***Other Post-employment Benefits***

OPERS provides post-retirement health care coverage to age and service retirees under the Traditional Pension and Combined Plans with 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for funding of the post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the 2005 rate was 13.55% of covered payroll; and 4.00% was the portion that was used to fund health care for the year. COTA's contributions actually made to fund post-employment benefits totaled $1,443,000 in 2005 and $1,482,000 in 2004. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

(Continued)

(c) Other Post-employment Benefits (Continued)

Summary of assumptions:

Actuarial Review – The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2004.

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

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

Investment Return – The investment assumption rate for 2004 was 8.00%.

Active Employee Total Payroll – An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

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

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants at December 31, 2005, was 376,109. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 was $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

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

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

(Continued)

(9) Contingent Liabilities

(a) Litigation

It is the Authority's policy to act as self-insurer for certain insurable risks consisting primarily of public liability and property damage. At December 31, 2005, 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, 2005, there were no material questioned costs that had not been resolved with appropriate federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of COTA's management, no material grant expenditures will be disallowed.

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

(10) Special Item

In 2001, the Authority purchased 38 low-floor 30-foot diesel powered buses from Advanced Bus Industries (ABI). In the fall of 2001, ABI filed for bankruptcy and the company's assets were liquidated. During the next three years, COTA experienced a multitude of equipment failures on the ABI buses including chassis structure cracks, passenger door controller problems, engine compartment seal defects, and premature brake wear. In 2003, the ABI buses were the costliest in the fleet to operate at $0.55 per mile. Service calls on ABI buses amounted to 23% of all fleet breakdowns. In October 2004, the Authority received permission from the FTA to transfer the remaining Federal interest in thirteen of the ABI buses to other FTA grant recipient transit systems. The COTA Board of Trustees authorized the transfer of the Federal interest and title. The transfer of the thirteen ABI buses resulted in a $1,803,954 loss in 2004 of the remaining net book value of the buses. In December 2004, the Authority received permission from the FTA to transfer the remaining Federal interest in nineteen of the ABI buses to other FTA grant recipient transit systems and the COTA Board of Trustees authorized the transfer of the Federal interest and title. The transfer of the nineteen ABI buses resulted in a $2,392,547 loss in 2005 of the remaining net book value of the buses. The Authority purchased new replacement buses in 2004 and 2005 with lower operating and maintenance costs.

(Continued)

(11) Construction Commitments

The Authority has an active construction project as of December 31, 2005. The project is the completion of the Draft Environmental Impact Statement (DEIS) for the North Corridor Light Rail Project. At year-end COTA's commitments with contractors are as follows:

	Spent-to-Date	Remaining Commitment
North Corridor Light Rail	$ 9,932,015	$ 5,028,041

In the current Preliminary Engineering stage of the North Corridor Light Rail project, the FTA contributes 54% toward the environmental expenses necessary to complete the DEIS, also known as TRAC eligible expenses. The State of Ohio contributes 45% of TRAC eligible expenses, and in the current phase, the Authority funds less than 1% of the expenses. During the DEIS preparation, 100% of non-TRAC eligible expenses are reimbursed by Federal funds. At December 31, 2005, the Authority has capitalized $9.9 million in construction in process and has concluded that none of these amounts are impaired under GASB Statement No. 42.

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

Board of Trustees
Central Ohio Transit Authority:

We have audited the financial statements of Central Ohio Transit Authority (the "Authority") as of and for the year ended December 31, 2005, and have issued our report thereon dated June 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Authority in a separate letter dated June 13, 2006.

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

Deloitte & Touche LLP

June 13, 2006

Deloitte

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

Board of Trustees
Central Ohio Transit Authority:

Compliance

We have audited the compliance of the Central Ohio Transit Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2005. The Authority's major federal program is identified in the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control Over Compliance

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

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

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

Deloitte & Touche LLP

June 13, 2006

CENTRAL OHIO TRANSIT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005

Grantor/Title:	CFDA #	Grant #	Total Grants Recognized
Federal Transit Cluster			
U.S. Department of Transportation—			
Federal Transit Administration (FTA):			
Direct Urbanized Area Formula Program			
and Capital Grants—	20.500	OH-03-0201	$ 809,257
	20.500	OH-03-0213	113,255
	20.500	OH-03-0255	522,464
	20.500	OH-03-0263	370,782
	20.507	OH-90-X366	1,492,623
	20.507	OH-90-X375	28,554
	20.507	OH-90-X399	92,235
	20.507	OH-90-X402	477,046
	20.507	OH-90-X403	35,645
	20.507	OH-90-X411	2,104,590
	20.507	OH-90-X422	107,543
	20.507	OH-90-X449	80,637
	20.507	OH-90-X487	10,500,209
Indirect Capital Grants Passed Through Ohio			
Department of Transportation—	20.500	OH-03-0175	47,661
Total Federal Transit Cluster			16,782,501
Federal Transit Administration	20.205	OH-26-7004	19,795
	20.516	OH-37-X017	292,191
	20.516	OH-37-X021	263,358
Total Federal Transit Administration			575,344
Total Federal Financial Assistance			$ 17,357,845

See notes to schedule of expenditures of federal awards.

CENTRAL OHIO TRANSIT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2005

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

3. RELATIONSHIP OF FEDERAL FINANCIAL REPORTS

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

CENTRAL OHIO TRANSIT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2005

Part I—Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs	$520,735			
Auditee qualified as low-risk auditee?	X	Yes	____	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2005 (Concluded)

Part II—Financial Statements Findings

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

No matters are reportable.

Part III—Federal Award Findings and Questioned Costs

No matters are reportable.

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Central Ohio Transit Authority

Independent Accountants' Report on Information Reported to the Federal Transit Administration for the Year Ended December 31, 2005

Deloitte.

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INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
Central Ohio Transit Authority:

We have performed the applicable procedures enumerated in the Federal Funding Allocation Statistics Form (901), which were agreed to by the Central Ohio Transit Authority (the "Authority") and the Federal Transit Administration ("FTA"), solely to assist you in complying with the reporting requirements of the Declarations section of the *2005 Reporting Manual*, for the year ended December 31, 2005. Management of the Authority is responsible for compliance with the requirements of the *Uniform System of Accounts and Records and Reporting System, Final Rule,* as specified in 49 CFR Part 630, *Federal Register,* January 15, 1993, and as presented in the *2005 Reporting Manual*. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Authority and the FTA. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached appendix either for the purpose for which this report has been requested or for any other purpose.

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

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

The procedures were applied separately to each of the information systems used to develop the reported vehicle revenue miles, passenger miles, and operating expenses of the Authority for the fiscal year ended December 31, 2005, for each of the following modes:

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

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

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Authority's compliance with the requirements of the *Uniform System of Accounts and Records and Reporting System, Final Rule,* as specified in 49 CFR Part 630, *Federal Register,* January 15, 1993, and as presented in the *2005 Reporting Manual* for the year ended December 31, 2005. Accordingly, we do not express such an opinion. Also, we do not express an opinion on the Authority's system of internal control taken as a whole. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Deloitte & Touche LLP

May 23, 2006

SECTION 9 CERTIFICATION – AGREED-UPON PROCEDURES

The results of the agreed-upon procedures performed in conjunction with the requirements of the *Uniform System of Accounts and Records and Reporting System, Final Rule*, as specified in 49 CFR Part 630, *Federal Register*, January 15, 1993, and as presented in the *2005 Reporting Manual*, are identified below.

Step

a. Inquired of the Authority's procedures related to the system for reporting and maintaining data in accordance with the NTD requirements and definitions set forth in 49 CFR, Part 630, *Federal Register*, January 15, 1993, and as presented in the *2005 Reporting Manual*, with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data.

b. Inquired of the Authority's procedures with the personnel assigned responsibility of supervising the preparation and maintenance of NTD data to determine:

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

   - Whether the procedures result in accumulation and reporting of data consistent with the NTD definitions and requirements set forth in 49 CFR, Part 630, *Federal Register*, January 15, 1993, and as presented in the *2005 Reporting Manual.*

c. Inquired of the same person concerning the retention policy that is followed by the Authority with respect to source documents (section 15 survey, service changes reports, pullout summary reports, special service mileage reports, total vehicle miles reports, time and miles by line reports, DRS vehicle trip sheets, and daily summaries) supporting the NTD data reported on the Federal Funding Allocation Statistics Form (FFA-10).

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

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

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

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

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

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

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

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

k. Obtained the passenger mile sample information generated from the automatic passenger count system and, based on this information, recalculated the passenger miles for the year ended December 31, 2005.

l. Inquired of the procedures for systematic exclusion of charter, school bus and other ineligible vehicle miles from the calculation of vehicle revenue miles with the Authority's staff. Three months of source data used to record charter and school bus mileage was selected at random and recalculations were performed.

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

n. *2005 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

o. *2005 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

p. *2005 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

q. *2005 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

r. *2005 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

s. *2005 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

t. Compared operating expenses with audited financial data, after reconciling items are removed. No deviations were noted.

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

v. *2005 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

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

x. *2005 Reporting Manual Section 9* test procedure was not applicable to the Authority and, therefore, was not performed.

y. Compared the data reported on the Federal Funding Allocation Statistics Form (FFA-10) to comparable data for the prior report year for Motor Bus and Demand Response and calculated the percentage change from the prior year to the current year. Fluctuations greater than 10% were investigated further. Noted that actual vehicle revenue miles for Motor Bus and Demand Response did not increase or decrease by more than 10% in 2005 relative to the prior reporting period. Noted that passenger miles for Motor Bus increased by more than 10% in 2005 relative to the prior reporting period due to the addition of more routes while Demand Response passenger miles did not increase by more than 10% in 2005 relative to the prior reporting period. Noted that Motor Bus and Demand Response operating expenses did not increase by more than 10% in 2005 relative to the prior reporting period.

2005

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended December 31, 2005

Ribbon-cutting ceremony for the opening of the Near East Transit Center.

National Recognition of Rosa Parks Day

Columbus Dispatch "Blundo's Walk to Work" Day

Retirement farewell to COTA Operator with 32 Years of Service

COTA Bike 'n Bus

Central Ohio Transit Authority
Columbus, Ohio

CENTRAL OHIO TRANSIT AUTHORITY
Franklin County, Ohio

Comprehensive
Annual Financial Report
For the Fiscal Year Ended
December 31, 2005

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

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Central Ohio Transit Authority
Comprehensive Annual Financial Report
For the Fiscal Year ended December 31, 2005

INTRODUCTORY

SECTION

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COTA

Central Ohio Transit Authority
Connecting Communities

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Wm. J. Lhota
President/CEO

June 27, 2006

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

The Comprehensive Annual Financial Report (CAFR) of the Central Ohio Transit Authority (the Authority or COTA) for the fiscal year ended December 31, 2005, 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.

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Central Ohio Transit Authority for its comprehensive annual financial report for the fiscal year ended December 31, 2004. This was the sixteenth consecutive year that the Central Ohio Transit Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting the 2005 report to the GFOA to determine its eligibility for another certificate.

(continued)

This CAFR is divided into the following three sections:

Introductory Section – contains this Letter of Transmittal, a Table of Organization, a listing of the members of the Board of Trustees and Administration, and a reproduction of the Certificate of Achievement awarded to the Authority by the GFOA for the fiscal year ended December 31, 2004.

Financial Section – includes the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements (with related footnotes) for the fiscal years ended December 31, 2005 and 2004, and a supplemental schedule disclosing actual revenues, expenses and changes in net assets for the fiscal year ended December 31, 2005, compared to budgeted amounts.

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

REPORTING ENTITY

General

The Authority's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statements No. 14 and 39. The financial statements contained within this CAFR include all of the organizations, activities, functions and component units for which the Authority is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either 1) the reporting entity's ability to impose its will over the component unit or 2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. On this basis, the Authority does not have financial accountability over any other entity, and no governmental units other than the Authority itself are included in the reporting entity. Furthermore, the Authority is not included as a component unit in the reporting entity of any other governmental unit's financial statements. A complete discussion of the Authority's reporting entity is included in Footnote 1 to the financial statements.

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

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

Commencement of Operations

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

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

> *The Central Ohio Transit Authority will be the transportation provider for central Ohio with safe, reliable, convenient, affordable and user-friendly transportation for every resident and visitor.*
>
> *The Central Ohio Transit Authority is committed to excellence and will deliver superior transportation services and conduct our business courteously, safely, ethically and reliably. We will demonstrate leadership that is fiscally responsible and maintain a work environment that is safe and productive. All employees are expected to embrace and practice our values and standards to achieve the objectives of our vision.*
>
> These statements are the focus of all operations and support functions.

Management – Board of Trustees

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

Administration

The President/CEO, who is appointed by the Board, directs the administration of the Authority, subject to the policies and supervision of the Board of Trustees. The President/CEO selects the senior administrative personnel. A Table of Organization depicting the key functional responsibilities is shown on page 17 of this Introductory Section.

Transportation Services – Fixed-Route Bus Service

The Authority provides public transportation services within Franklin County, as well as portions of Delaware, Fairfield and Licking Counties that are included within the municipal corporation limits of Columbus, Westerville and Reynoldsburg. For 2005, this service included 58 fixed bus routes comprised of 20 local routes (including 2 link routes), 10 cross-town routes, and 28 express routes. The span of service provided on these fixed-routes is from 4:35 a.m. to 2:06 a.m. on weekdays, 5:02 a.m. to 2:06 a.m. on Saturdays, and 6:43 a.m. to 2:06 a.m. on Sundays and holidays. Bus route schedules can be obtained from the COTA Connection located at 60 East Broad Street in downtown Columbus. An itinerary planner to help plan a customer's bus trip can be accessed at COTA's web site www.cota.com. Monthly, weekly and day passes to ride the buses can be purchased from the COTA Connection and other pass sales outlets. For 2006, COTA's vehicle maintenance department plans to renovate between six and eight buses originally purchased in the year 1995. This renovation is projected to add an additional three years to the vehicle's useful life. The Authority estimates that it will provide approximately 625,000 vehicle hours of fixed-route bus service in 2006 resulting in approximately 8,724,000 vehicle miles of operation.

The Authority had provided demand-response transportation with its bus fleet to the elderly through its Senior Citizens on the Town (SCOT) program. As part of its ongoing cost reduction initiatives, the Authority discontinued the SCOT program in 2005.

The Authority, through an outside scheduling company utilizing COTA's drivers and fixed-route buses and trolleys, offered to the public within its service area a charter service with a rate schedule based upon the length of the service provided to the customer. As part of its ongoing cost reduction initiatives, the Authority discontinued the charter service in 2005.

Transportation Services – Paratransit Service

Project Mainstream is a demand response shared-ride paratransit service available to individuals whose disabilities prevent them from accessing COTA's fixed-route bus system. Project Mainstream provides transportation when a customer's origin and destination addresses are within ¾ of a mile of an operating fixed-route bus route. The contracted service for Project Mainstream operates during the same hours as the fixed-route bus service. Individuals wishing to use this service must complete an eligibility process and obtain an Americans with Disabilities Act (ADA) ID card. Certified customers must maintain their eligibility by re-certifying every three years. Once a customer is determined eligible, a reservation call center is available to assist in reserving and scheduling their trips. Reservations can be made one to seven days in advance. For more information or to request an application for Project Mainstream services, call (614) 275-5828 or send an e-mail to the web address paratransit@cota.com.

Plans for the Project Mainstream bus fleet for 2006 include purchasing twelve paratransit buses as replacements for existing vehicles. COTA estimates that it will provide 126,000 vehicle hours and 2,344,000 vehicle miles of paratransit service in 2006.

COTA continues to offer a Sedan Voucher Program utilizing a transportation company to provide optional services to eligible paratransit demand response program customers. Approximately 800 sedan vouchers are distributed monthly and are available on a first-come, first-serve basis. With the Sedan Voucher Program customers can travel by making a reservation less than twenty-four hours in advance.

Facilities Owned

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

1333 Fields Avenue opened in September 1984 with a 283,000 square foot facility that during 2005, provided indoor storage for 200 buses, space for several light maintenance work areas, and the radio control room to support transit communications. As part of COTA's January 2006 service reductions, all fixed route operations located at the Fields Avenue facility were transferred to the 1600 McKinley Avenue facility. During April 2006, COTA relocated the Paratransit Services division to the more centrally located Fields Avenue location in order to increase operational efficiencies and to reduce costs. The facility is now utilized to operate Project Mainstream dispatch and reservation activities, and to store and maintain COTA-owned Project Mainstream vehicles.

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

Easton Transit Center is a 1,352 square foot facility that opened for service in May 2002 that includes a 8,953 square foot overhead canopy with 4 bus bays, a 50-space park and ride lot, and an adjacent 9,648 square foot day care center that was completed in June 2005, along with other passenger amenities located just north of Morse Road at the southeast corner of Transit Drive and Stelzer Road. This transit center helps COTA serve commuters in northeastern Franklin County. Presently one express route, one crosstown route, and one local bus route use this terminal.

North Terminal is an outdoor facility located on Spring Street between High and Front Streets in downtown Columbus. This terminal has six bays for express routes. Currently eight express routes and one local bus route utilize the terminal to serve passengers in the north downtown area.

Near East Transit Center is a 9,600 square foot facility located at the corners of East Main Street and Champion Avenue in the heart of the Columbus Empowerment Zone (an economically disadvantaged area with high unemployment) that opened for service in September 2005. The Near East Transit Center includes Children's Hospital "Close to Home" facility as a major tenant in a 4,824 square foot section of the building to provide neighborhood medical services.

Facilities Leased

City Center Terminal is a 41,000 square foot facility completed and opened for service in November 1989. The terminal is located in the downtown City Center Mall 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 nineteen express routes and one local bus route use this terminal.

60 East Broad Street in downtown Columbus houses the COTA Connection. The COTA Connection is the main customer service center as well as sales outlet for passes and tickets. At this location, passengers may also obtain their Senior Discount Cards, Key Cards and ADA Cards. This office provides route information through the distribution of published transit maps and timetables, and maintains a staff of service representatives (from 7:00 a.m. to 6:00 p.m. weekdays) as well as an interactive voice response system to assist customer queries on the Authority's telephone information line (614-228-1776).

1650 Lake Shore Drive housed the former Business Development division of COTA in a 9,659 square foot portion of an office building. Departments within the Business Development division included Planning, Scheduling, and Corporate Communications. COTA vacated the Lake Shore Drive facility in 2005 as part of its ongoing cost reduction program and moved the personnel working in Planning, Scheduling, and Corporate Communications into the 1600 McKinley Avenue facility.

101 Phillipi Road opened in May 2002 and housed the Paratransit Services division of COTA in a leased 22,282 square foot building. The purpose of the facility is to operate Project Mainstream dispatch and reservation activities, and to store and maintain COTA-owned Project Mainstream vehicles. COTA relocated the Paratransit Services Operation to its owned facility at 1333 Fields Avenue in April 2006.

ECONOMIC CONDITION AND OUTLOOK

Franklin County (the Authority's primary service area) is located in the central part of Ohio, and the City of Columbus (the capital of the state) is located within its boundaries. The Columbus Metropolitan Statistical Area (MSA) consists of eight counties: Delaware, Fairfield, Franklin, Licking, Madison, Morrow, Pickaway and Union. Based on data from the U.S. Census Bureau, this combined area's population is 1,708,410, with Franklin County's population of 1,112,880 making it the MSA's largest county in terms of population.

Franklin County is served by diverse transportation modes. Interstate Highway I-270 forms an Outerbelt surrounding Columbus, while Interstate Highways I-70 and I-71 intersect in the center of the county. Interstate Highway I-670 connects I-70 on the west side of Columbus with Port Columbus International Airport on the east side of the city. Four U. S. highways and thirteen state highways are also located in the county. The major airport authority is the Columbus Regional Airport Authority comprising two large airports, an international airport and separate air-freight/cargo facility. Two small municipal airports also serve general and light aviation. Although growth has slowed during the recession that occurred in the first half of this decade, Franklin County had experienced rapid growth during the decade of the nineties. Further commercial, office and residential development is continuing in northeastern Franklin County (Easton), northern Columbus (Polaris), southeastern Franklin County (Rickenbacker), and in the downtown areas of Columbus known as the Arena District and the Brewery District.

Population

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

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

Source: U.S. Census Bureau

Employment

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

Year	Average Labor Force in Franklin County	Average Unemployment Rate Franklin County	Ohio	U. S.
2001	604,800	2.8%	4.3%	4.8%
2002	596,900	4.4	5.7	5.8
2003	601,000	4.9	6.1	6.0
2004	603,900	5.4	6.1	5.5
2005	604,400	5.3	5.9	5.1

Source: Ohio Department of Job and Family Services

Housing and Building Permits

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

Economic Outlook

While the local economy mirrors the national economy, Franklin County has remained stable as a regional economic center. Columbus continues to be the most populous city in Ohio and the only major municipality in the state still experiencing population growth. This is attributable to Columbus' aggressive annexation policies and a pro-growth economic emphasis in city government. Franklin County's sizable institutional component, stemming from the presence of Ohio's capital and The Ohio State University, lends considerable stability to the local economy. The overall countywide assessed property valuation has continued to increase as a result of ongoing residential, office and retail development. The economic climate of Franklin County directly affects COTA due to the reliance on sales tax receipts as a major source of revenue. Growth is expected to continue into the future, with the MSA population projected to exceed 1.8 million by the year 2010.

2006 GOALS AND OBJECTIVES

In 2005, COTA focused on short term goals to restore its financial solvency and operational excellence. In 2006, COTA is looking ahead to develop a comprehensive Long Range Transit Plan (LRTP). This draft plan will be completed and presented to the COTA Board of Trustees in the summer of 2006. The key components in the LRTP include a focus on providing safe, reliable, convenient, affordable and user-friendly transportation for every resident and visitor to the central Columbus area. In addition, the Authority will focus on expanding public support for needed transportation investments by managing public resources effectively and efficiently.

Fixed Route Bus Service - The LRTP's initiative to provide safe, reliable, and convenient transportation includes assessing the service we provide in depth. This includes examining the geographical coverage of our bus routes and the hours of service including the frequency of local, crosstown, circulator and express route bus service. This on-going analysis allows us to consider fixed route variations to allow flexibility to our riders.

Paratransit Bus Service – We are analyzing service options for Project Mainstream demand response service to meet the needs of those riders under the Americans with Disabilities Act (ADA). In addition, we are exploring the possibility of expanding our partnerships with community organizations to provide better demand response services for specific communities.

Fixed Guideway Options – We are identifying and analyzing travel corridors where fixed guideway transit modes, such as bus rapid transit (BRT), streetcar, light rail transit (LRT), or commuter rail would complement fixed-route bus service. Transit modes will not be specified in the plan, but will be evaluated at a later time following the Draft Environmental Impact Statement (DEIS) process, currently under way in the North Corridor.

Intelligent Transportation Systems – We continue to examine technologies to improve customer service, quality of service and efficiency which includes real-time bus arrival information at busy bus stops and signal priority to adjust traffic signal timing to expedite bus service.

North Corridor Transit Project
(formerly known as North Corridor Light Rail Project)

The Authority remains committed to the North Corridor Transit Project (NCTP) through the completion of the Preliminary Draft Environment Impact Statement (DEIS) and will be incorporated into the comprehensive Long Range Transit Plan. For additional information on the NCTP, please refer to the section titled *Analysis of 2005 Financial Results in Management's Discussion and Analysis* located on page 31 of this CAFR.

Operational Support Facilities

COTA's facility at 1600 McKinley Avenue in 2006 will undergo the final stage of a multi-year roof replacement project, replacing approximately 82,000 square feet of roof, replacing twenty-four skylights and twelve gravity ventilators to increase ventilation in the maintenance and bus storage areas. As of the end of 2005, 78% of the 392,400 square feet of roof has been replaced since 2002.

Two other major projects at the McKinley Avenue facility that are scheduled for completion in 2006 are upgrading the 175 kilowatt diesel backup generator that is used in case of electrical power disruptions and the replacement of the air handling system that supplies the heat and air conditioning for the transportation day room. By installing a new 350 kilowatt generator, the additional power capacity would provide continual electricity to COTA's computer room reducing the risk from power outages lasting longer than ninety minutes that the 175 kilowatt generator was not able to support. The existing air handler was part of the original building construction in 1978 and had exceeded the life expectancy of the unit. Along with the mechanical scope of the work, new ductwork, lighting, and suspended ceiling would be an integral part of the project.

A proposed new Paratransit and Small Bus facility estimated at 104,000 square foot and currently proposed to be built adjacent to the McKinley Avenue facility would centralize COTA's operations and reduce the logistical inefficiencies for the paratransit service. The facility would house small bus maintenance and storage area, paratransit buses and operations, and communications and training facilities. In 2006, COTA was able to combine the fixed route services into one facility at McKinley Avenue, allowing COTA to move the Paratransit services into the COTA owned Fields Avenue facility from a leased facility at 101 Phillipi Road. The move reduced operating and leased costs previously incurred with the leased facility. However, this is proposed to be a temporary solution until COTA receives additional funding supporting expansion of the fixed-route and paratransit services. At this time the Authority is dependent on the passage of a tax levy in order to fund its portion of the Paratransit and Small Bus facility project.

Information Technology Projects

The Authority, in cooperation with the Mid Ohio Regional Planning Commission (MORPC) has developed the Central Ohio Regional Intelligent Transportation Systems (ITS) Integration Strategy, which serves as the mechanism by which COTA can demonstrate a well thought out and fiscally conservative plan for ITS deployment. Building upon this framework to enhance operations, allow for integration with other stakeholders, and achieve conformity with the National ITS Architecture, COTA continues to document current ITS projects, to identify future ITS projects, to demonstrate COTA's commitment to regional ITS integration, and to clearly establish that COTA's plan is in compliance with both the regional and ITS standards components of the National ITS Architecture. Enhancing the experience of riding a COTA vehicle is a major component of the ITS program. Concurrent with this strategic planning initiative, the Authority continues to enhance and deploy funded ITS initiatives.

Information Technology Projects (Continued)

The Automatic Passenger Counter (APC) component of the ITS technology infrastructure completed in 2005 provides the capability to count passengers getting on and off a bus along with the time of day and the location of those boardings and alightings. This raw APC data is stored in an on-board computer file. When the bus returns to the garage, the raw APC data is transferred via wireless communications to stationary servers (called base stations) at COTA's garages. A central APC application server pulls the raw APC data from the base stations on a nightly basis. The data is then correlated to COTA's routes and schedules and available for reporting. Users can choose from an array of standard APC reports or design their own using an "ad hoc" reporting tool. COTA personnel will use these reporting capabilities to generate statistical data for inclusion in the National Transit Database Report (NTDR) that is submitted to the Federal Transit Administration (FTA). COTA's Planning Department will use this data when planning service changes. Historical data will be continually reviewed to make sure that service changes that have already been implemented have had the desired effect. Giving COTA planners this type of high fidelity tool provides them the capability to design routes that are based not on estimates but accurate ridership activity throughout central Ohio.

The Automated Voice Annunciator (AVA) system makes bus travel easier for all passengers, especially those with hearing and vision disabilities. Its operation is conceptually straightforward. As a bus approaches a stop on its assigned route, the AVA system uses a Global Positioning System (GPS) receiver to determine its location and then automatically announce and display the next stop name. Announcements are made using the bus' public address system that has speakers inside and outside the bus. A text message containing the next stop name is displayed on a variable message sign mounted on the ceiling at the front of the bus. The vehicle's destination is announced every time the front door is opened. Approximately 460 route patterns have been programmed to announce on 224 AVA equipped buses. The system was completed in February 2006.

In 2006, COTA is planning to implement a major upgrade of its asset management business application. The current application, Mincom Information Management System (MIMS), is used for purchasing, inventory management, accounts payable and managing vehicle maintenance. MIMS is based on obsolete proprietary technology and the vendor has discontinued support for it, so COTA will be replacing MIMS with the newest version of the application that is built on the latest open standards technology. The new version is called Ellipse and is one of the leading enterprise resource planning (ERP) solutions for asset intensive industries such as transit. The new version will be Windows based and support e-procurement and e-sourcing as well as provide a web interface for users. In addition to being easier to support, Ellipse will provide additional enhanced functionality that will improve operating efficiencies and reduce costs. COTA plans to have Ellipse implemented by the end of 2006.

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

FINANCIAL INFORMATION

Internal Control Structure

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

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

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

Basis of Accounting

The Authority's financial records are maintained on the accrual basis of accounting. The activities are accounted for in a single enterprise (proprietary-type) fund. Additional information on the Authority's accounting policies can be found in Note 2 in the Notes to the Financial Statements located on pages 39-44.

Budgetary Controls

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

Management control for the budget is maintained by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Trustees. Financial statements prepared on a budgetary basis in accordance with generally accepted accounting principles have been provided on page 54 to demonstrate budgetary compliance.

Retirement Plans

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

Employees covered by OPERS contribute for the year 2005 at a statutory rate of 8.5% of earnable salary or compensation, and the Authority contributes 13.55% of the same base. These contribution rates are actuarially determined and statutorily mandated.

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

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

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

Debt Administration

Only capital projects are eligible for debt financing under the Ohio Revised Code. Management believes that existing cash and investment balances and projected cash flows of the Authority are adequate to cover future operating costs. As of December 31, 2005, the maximum annual debt service charges permitted by law for new, unvoted debt issuance was $29.1 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 funds 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.

Cash Management and Investments (Continued)

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

Effective January 1, 1998, the Authority adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Pursuant to Statement No. 31, at December 31, 2005, investments are carried at fair value, which is based on quoted market prices. Any unrealized gains or losses are recognized as adjustments to investment income. The Authority's policy is to hold investment securities to their scheduled maturity date.

Risk Management

The Authority is self-insured for public liability and property damage claims. Claims are normally paid with the operating revenues of the Authority. The Authority, by resolution of the Board of Trustees, designated assets in fiscal year 1987 to accumulate funds to satisfy catastrophic or extraordinary losses. The designated assets for self-insurance as of December 31, 2005, were approximately $12.1 million.

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

Prior to June 30, 1998, COTA was insured through the State of Ohio Bureau of Workers' Compensation (BWC) for injuries to its employees. On July 1, 1998, the Authority entered into an agreement with the BWC to become self-insured for claims pertaining to work-related injuries to Authority employees occurring on or after that date. The BWC agreed to continue to administer and pay all compensation claims arising on or before June 30, 1998. The estimated liability for all such claims occurring since July 1, 1998, was $520,954 at December 31, 2005, and is included as a liability in the accompanying balance sheet.

OTHER INFORMATION

Independent Audit

The Authority's independent certified public accounting firm of Deloitte & Touche LLP has rendered an unqualified audit report on the Authority's financial statements for the fiscal year ended December 31, 2005. This report is included in the financial section of this CAFR.

The Authority also participates in the federal single audit program, which consists of a single audit of all federally funded programs administered by the Authority. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including the Authority. The single audit performed by Deloitte & Touche LLP met the requirements set forth by the State of Ohio and the federal Single Audit Act of l984 (including the Single Audit Act Amendments of 1996) and related Office of Management and Budget Circular A-133 (Revised).

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

Acknowledgements

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

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

Wm J. Lhota

William J. Lhota
President / CEO

Marion White

Marion White
CFO / Vice President of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Central Ohio Transit Authority

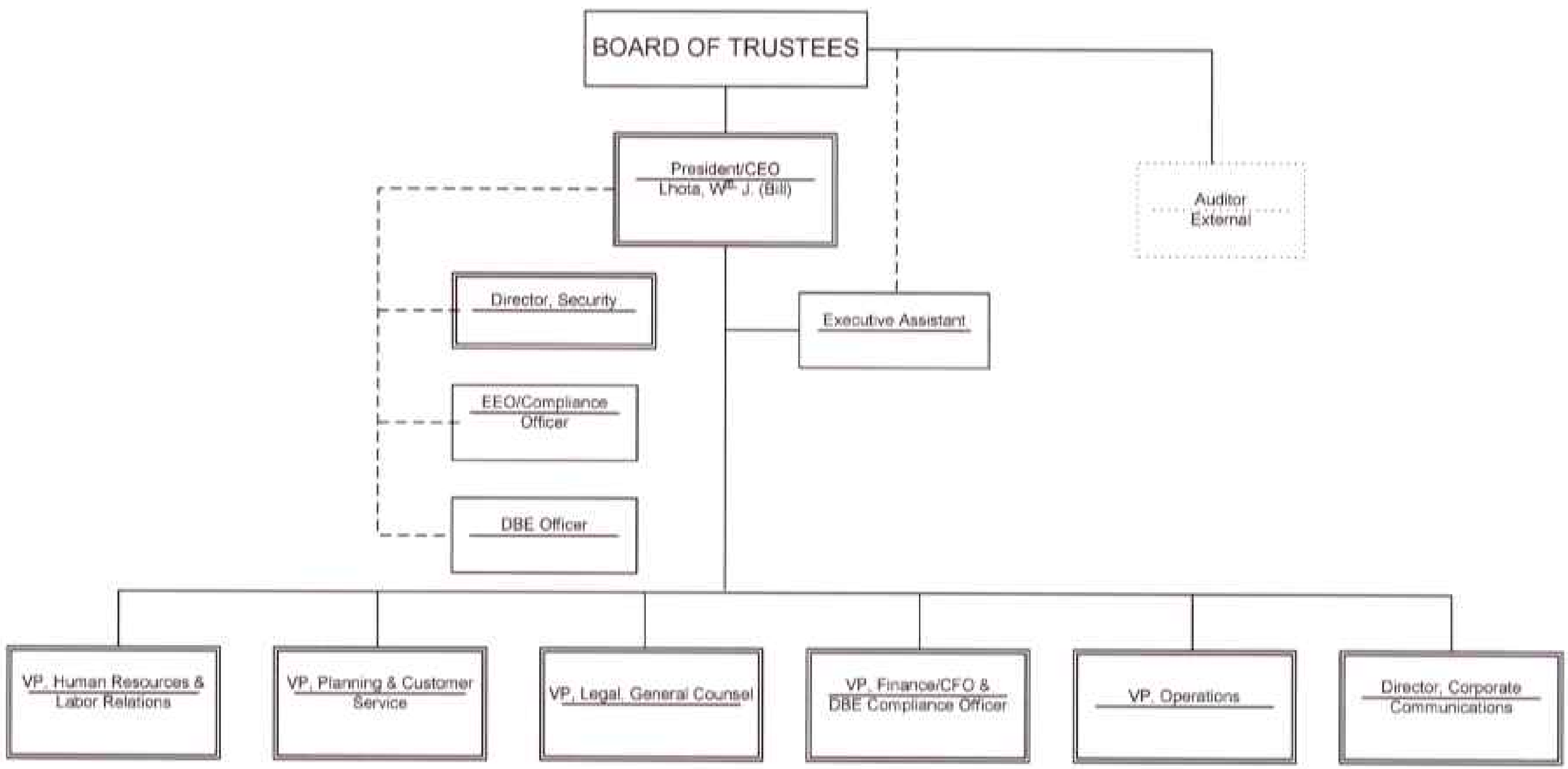
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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

President

Executive Director

CENTRAL OHIO TRANSIT AUTHORITY
TABLE OF ORGANIZATION
As of December 2005



CENTRAL OHIO TRANSIT AUTHORITY
Board of Trustees and Administration

FINANCIAL

SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the balance sheets of Central Ohio Transit Authority (the "Authority") as of December 31, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2005 and 2004, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 21-31 is not a required part of the basic financial statements but is supplementary information required by GASB. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

The statistical data presented on pages 53-68 is presented for the purpose of additional analysis and is not a required part of the financial statements of the Authority. The statistical data is the responsibility of Authority management. Such additional information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

June 13, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Central Ohio Transit Authority (the Authority or COTA), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2005. This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and identifying any significant changes in financial position. We encourage readers to consider the information presented here, in conjunction with the basic financial statements and notes to the financial statements, which follows this section and provides more specific detail.

Overview of Financial Highlights

- The Authority has net assets of $108.2 million. These net assets result from the difference between total assets of $120.9 million and total liabilities of $12.7 million.

- The Authority's net assets decreased by $5.9 million in 2005 primarily due to an operating loss driven by a combination of factors including flat operating revenue, increased fuel and natural gas costs, and the transfer of certain revenue vehicles to other transit systems. The Authority's net assets decreased by $2.1 million in 2004 primarily due to reduced passenger revenue, increased health care costs, and the transfer of certain revenue vehicles to other transit systems.

- Current assets of $26.5 million primarily consist of non-restricted cash and cash equivalents of $8.9 million; sales tax receivables of $11.9 million, inventory of $1.7 million, and Board designated assets of $2.0 million.

- Current liabilities of $11.6 million primarily consist of accrued payroll and fringe benefits of $5.0 million, and accounts payable of $4.2 million.

- The Authority has no long-term debt.

Basic Financial Statements and Presentation

The financial statements presented by the Authority are the Balance Sheets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The Authority is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

The Balance Sheets present information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets decrease when expenses exceed revenues. A decrease in assets without a corresponding decrease to liabilities results in decreased net assets, which indicate a deteriorated financial position.

The Statements of Revenues, Expenses and Changes in Net Assets on page 35 presents information showing how the Authority's net assets changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists capital grant revenues received from federal and state governments.

The Statements of Cash Flows on pages 36-37 allow financial statement users to assess the Authority's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statements are classified into four categories: 1) cash flows from operating activities, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities, and 4) cash flows from investing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 38-53.

Requests for Information

This financial report is designed to provide a general overview of the Central Ohio Transit Authority's financial status and performance. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Office of Chief Financial Officer
Central Ohio Transit Authority
1600 McKinley Avenue
Columbus, OH 43222-1093
www.COTA.com

Financial Analysis of the Authority

Condensed Summary of Net Assets

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

Description	2005	2004	2003
Assets			
Current Assets	$ 23,905,364	$ 26,527,017	$ 29,246,365
Board Designated Assets (current)	1,969,885	2,721,804	3,190,438
Restricted Assets (current)	649,631	536,110	437,146
Total Current Assets	26,524,880	29,784,931	32,873,949
Board Designated Assets (non-current)	11,535,204	11,918,260	11,724,156
Capital Assets (net of accumulated depreciation)	82,895,537	82,607,483	82,306,157
Total Non-Current Assets	94,430,741	94,525,743	94,030,313
Total Assets	120,955,621	124,310,674	126,904,262
Liabilities			
Current Liabilities	11,600,596	9,835,968	9,609,749
Non-Current Liabilities	1,134,144	383,559	1,080,600
Total Liabilities	12,734,740	10,219,527	10,690,349
Net Assets			
Net Assets Invested in Capital Assets	82,895,537	82,607,483	82,306,157
Net Assets Restricted for Capital Assets	649,631	536,110	437,146
Net Assets Unrestricted	24,675,713	30,947,554	33,470,610
Total Net Assets	$ 108,220,881	$ 114,091,147	$ 116,213,913

Most of the Authority's net assets reflect investment in capital assets such as buses, maintenance equipment, and operating facilities. The Authority uses these capital assets to provide public transportation services for Franklin County and portions of the cities of Columbus, Reynoldsburg, and Westerville that are located in counties adjacent to Franklin County. The Authority's investment in capital assets as of December 31, 2005 amounts to $82.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, revenue vehicles, transit centers, other equipment, and construction in progress. The total increase in COTA's investment in capital assets for 2005 was $0.3 million.

Major capital asset events during 2005 included the following:

- Acquired twelve replacement 35-foot buses for a total of $3.2 million.
- Transferred nineteen buses with a net book value of $2.4 million to other transit systems.
- Completed construction of the $2.4 million Near East Transit Center
- Completed construction of the $1.9 million Easton Daycare Facility

Contributions to construction in progress including the following projects:

- Continued progress toward the completion of the Draft Environmental Impact Statement (DEIS) for the North Corridor Light Rail Project amounted to $3.6 million.
- Continued progress toward completion of the second phase of the replacement of the roof at the 1600 McKinley Avenue facility amounted to $1.1 million.
- Continued progress toward implementation of the Intelligent Transportation System including the Annunciator and Automated Passenger Counter projects totaled $0.6 million.

Additional information on the Authority's capital assets can be found in Note 4 in the Notes to the Financial Statements located on pages 46-47.

The Authority's current assets at the end of 2005 are composed of cash and cash equivalents (41%), receivables (51%), inventory (7%), and other assets (1%) consisting predominately of prepaid expenses.

Expenses by Functional Category

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

EXPENSES BY FUNCTION (Excluding Depreciation)

Description	2005	2004	2003
Transportation	$ 42,942,412	$ 40,853,870	$ 39,393,646
Vehicle Maintenance	12,768,801	12,054,086	12,816,246
Facilities Maintenance	4,375,327	4,492,409	4,962,347
General & Administrative	13,752,089	14,076,576	13,918,876
Total	$ 73,838,629	$ 71,476,941	$ 71,091,115

In accordance with NTDR guidelines, the 2005 and 2004 expenses include additional costs of $25,908 and $10,934 respectively, collected directly by the service provider from the Authority's customers during implementation of a new Sedan Voucher Service for disabled passengers.

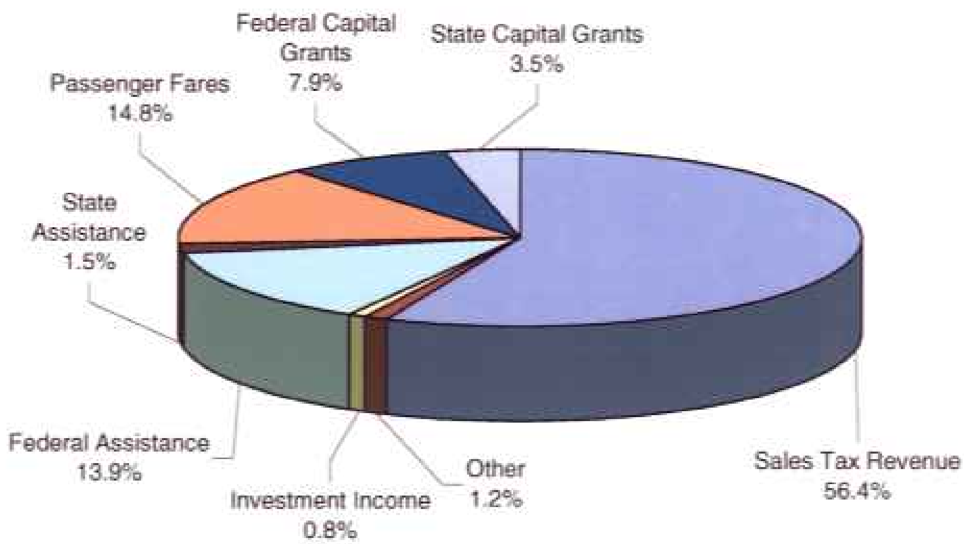
CENTRAL OHIO TRANSIT AUTHORITY
Management's Discussion and Analysis
Year Ended December 31, 2005

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

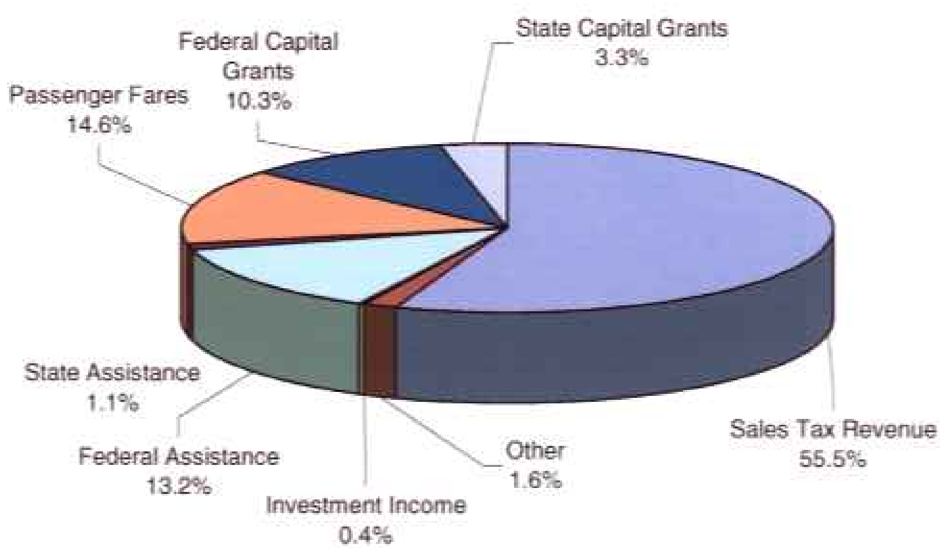
Description	2005	2004	2003
Operating Revenues			
Passenger Fare Revenues	$ 11,404,545	$ 11,420,919	$ 12,013,121
Special Services Revenue	337,661	380,907	397,323
Other: Auxiliary Transportation Revenues	371,971	514,923	567,328
Total Operating Revenues	12,114,177	12,316,749	12,977,772
Non-Operating Revenues			
Sales Tax Revenues	44,821,588	44,984,894	43,773,881
Federal Assistance	11,055,758	10,687,631	10,874,105
State Assistance	1,184,646	941,703	721,556
Investment Income	649,640	293,186	423,413
Non-transportation and Other Revenues	538,547	402,391	440,485
Total Non-Operating Revenues	58,250,179	57,309,805	56,233,440
Total Revenue before Capital Grants	70,364,356	69,626,554	69,211,212
Operating Expenses			
Labor	31,829,043	32,052,900	32,751,632
Fringe Benefits	21,155,637	20,776,073	19,934,358
Materials and Supplies	8,588,212	6,858,978	6,655,227
Purchased Transportation	4,530,514	4,411,484	4,257,470
Services	3,722,092	3,951,600	3,808,065
Other Expenses	3,987,223	3,414,972	3,684,363
Operating Expenses before Depreciation	73,812,721	71,466,007	71,091,115
Depreciation Expense	9,114,603	9,859,816	10,938,634
Total Operating Expenses	82,927,324	81,325,823	82,029,749
Loss before Capital Grants and Special Item	(12,562,968)	(11,699,269)	(12,818,537)
Capital Grant Revenues:			
Federal	6,302,087	8,323,292	6,398,882
State	2,783,162	2,690,281	2,274,687
Other	-	366,884	-
Total Capital Grant Revenues	9,085,249	11,380,457	8,673,569
Special Item: Loss on Transfer of Assets	(2,392,547)	(1,803,954)	-
Change in Net Assets during the Year	(5,870,266)	(2,122,766)	(4,144,968)
Net Assets, Beginning of Year	114,091,147	116,213,913	120,358,881
Net Assets, End of Year	$ 108,220,881	$ 114,091,147	$ 116,213,913

CENTRAL OHIO TRANSIT AUTHORITY
Revenues by Source

2005 Total Revenues
$79,449,605



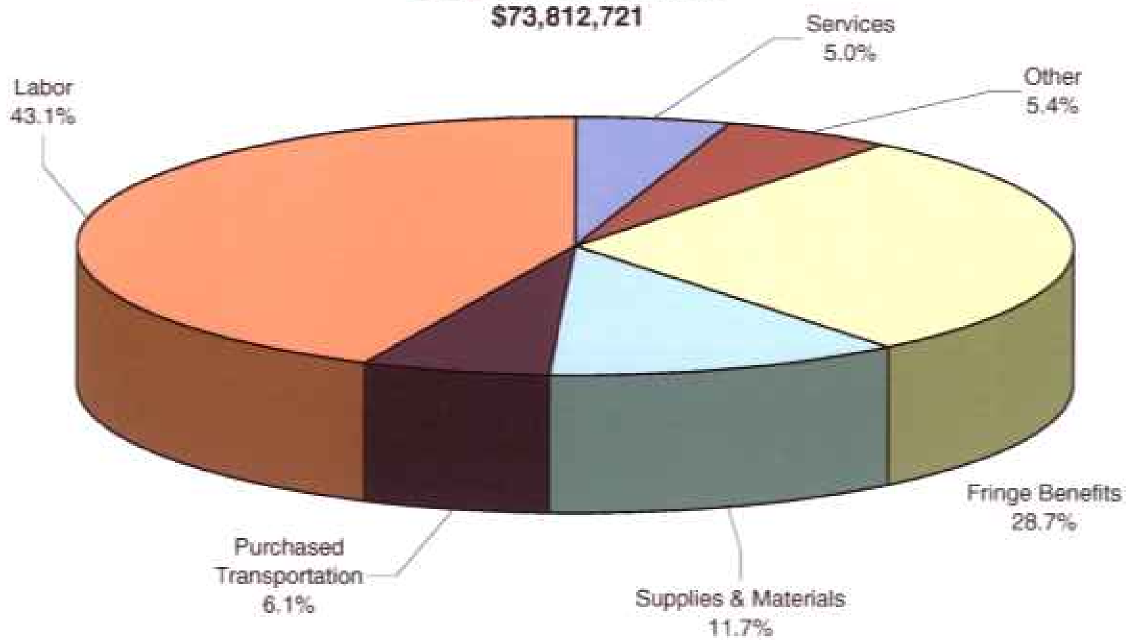
2004 Total Revenues
$81,007,011



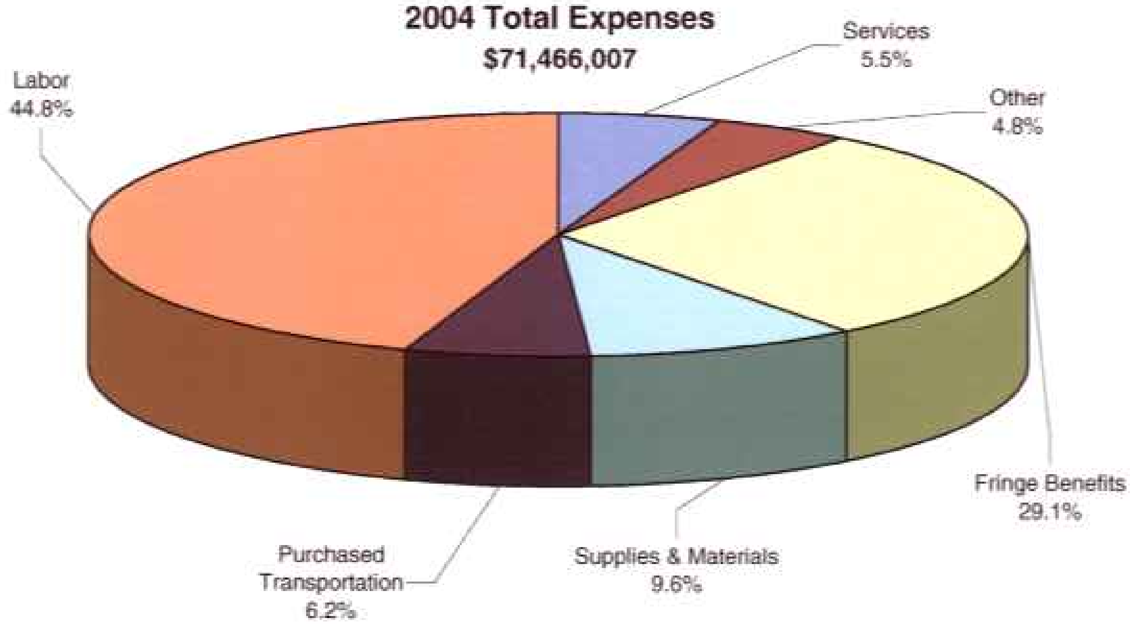
CENTRAL OHIO TRANSIT AUTHORITY

Expense by Object Class
(Excluding Depreciation)

2005 Total Expenses
$73,812,721



2004 Total Expenses
$71,466,007



Financial Operating Results

Revenues

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

Passenger Fares are comprised of farebox revenues and special services revenues. The slight 2005 decrease from 2004 is attributed to a reduction in bus service levels initiated in May 2004, causing ridership levels to decrease during the first half of 2005. The 2004 decrease from 2003 is attributed to a reduction in bus service levels initiated in May 2004.

Sales Tax Revenues are received from a permanent ¼% sales tax levy approved by voters in November 1999 and applicable to the Authority's service area. The slight decrease in 2005 is due to slowing economic growth in COTA's taxing district. The increase in 2004 revenues is due to positive economic factors and a one-time program implemented by the State of Ohio to compel electronic fund transfer (EFT) filers to become current in filing sales tax returns.

Federal Assistance is received from the Federal Transit Administration (FTA) for general operating expenses and capital programs. With the passage of the Transportation Equity Act of the 21st Century (TEA-21), regional transit authorities were given the latitude to use their Section 5307 Federal Formula Assistance on the capitalization of maintenance instead of the purchase of capital assets. The Authority has elected to use its Section 5307 funds on vehicle maintenance, permitting the full use of this allocation each year, and freeing local funds for future capital projects. The increase in Federal Assistance in 2005 was due to an increase in funding the total allocation to all public transit agencies for Section 5307 funds by the Federal government. The decrease for Federal Assistance in 2004 was due to a reduction in funding for Section 5307 funds by the Federal government.

Federal Capital Grants are received from the FTA for capital projects and capital acquisitions. Federal Capital Grants reimburse the Authority in part for the purchase of new buses and equipment. The reduction in Federal Capital Grants in 2005 is due to the completion of the Easton Daycare Center and the Near East Transit Center construction projects and a decrease in funding for the North Corridor Light-Rail project. The increase in Federal Capital Grants in 2004 is attributed to increases for funding the North Corridor Light-Rail project, reimbursement for the construction of the Easton Daycare Center, the annunciator (automatic voice messaging system) project, the Intelligent Transportation Systems (ITS) planning and standards development project, facility improvements, and the purchase of buses and paratransit vehicles.

State Assistance is received from the Ohio Department of Transportation (ODOT) for elderly and disabled rider reduced-fare subsidies, and for reimbursement of State fuel taxes. COTA is required to pay State taxes on diesel fuel, but is refunded $0.27 of the $0.28 per gallon paid. The increase for State Assistance in both 2005 and 2004 was due primarily to an increase in the elderly and disabled passenger fare assistance program.

State Capital Grants are received from ODOT for capital projects and capital acquisitions. State Capital Grants reimburse the Authority in part for the purchase of new buses and equipment. The increase in State Capital Grants in 2005 and 2004 was for funding the North Corridor Light-Rail project, reimbursement for the construction of the Easton Daycare Center, the implementation of the annunciator and automatic passenger counter projects, and the purchase of buses. In 2005, the increase is also attributable to reimbursement for the construction of the Near East Transit Center. In 2004, the increase is attributable to reimbursement for the Front Street Bridge portion of the Downtown Multimodal Transportation Terminal (MMTT) project and the purchase of paratransit vehicles.

Investment Income is earned on invested funds. The 2005 Investment Income is significantly higher due to higher investment rates than in 2004. During 2004, lower cash balances in the investment accounts along with a decrease in interest rates in the fixed income financial markets contributed to decreasing investment income.

Non-Transportation and Other Revenues consist of auxiliary transportation revenues and non-transportation revenues. Auxiliary transportation revenues represent fees collected for advertising placed in and on buses and decreased in 2005 and 2004 due to economic conditions. Non-transportation revenues include all other various miscellaneous income items.

Expenses

Labor comprises nearly half of the total Authority expenses and includes hourly wages paid to union-represented employees (bus operators, mechanics and facility maintenance personnel), and salaries and wages paid to administrative staff (clerical, supervisory and management personnel). During May 2005, COTA eliminated fifteen administrative positions as part of a reorganization of the Authority's administrative departments, thereby reducing labor expense below 2004 levels. In 2004, an average pay rate increase of 2% was offset by increases in the employee attrition rate.

Fringe Benefits consist primarily of vacation, sick and holiday pay, required Authority contributions to the Ohio Public Employees Retirement System (OPERS), and employee medical benefits. Required employer contributions to OPERS were made at the rate of 13.55% of total gross taxable wages.

Additionally, in 2005, an OPERS "pickup" of 5.5% of the individual's gross taxable wages was contributed for collective bargaining units and administrative employees. The increase in fringe benefits in 2005 is due to rising medical insurance costs and an increase in Workers' Compensation expense caused by a significant adjustment to the liability reserve to recognize future liabilities. In 2004, a "pickup" was contributed ranging from 4.0% to 5.5% dependent upon the collective bargaining unit for represented employees and 5.5% for administrative employees. The increase in fringe benefits in 2004 was due to rising medical insurance costs, increased OPERS "pickup" contribution, and increased workers compensation expense.

Materials and Supplies include the Authority's diesel fuel expense and parts used in the maintenance of buses and facilities. The primary factor for the 2005 increase in expenses is a 44.2% increase in the average price per gallon of diesel fuel along with a slight increase in fuel consumption of approximately 36,000 gallons. Another factor that also increased expenses was the write-off of the ABI bus parts inventory. The primary factor for the 2004 increase is a 28.8% increase in the average price per gallon of diesel fuel despite the reduction in fuel consumption of over 134,000 gallons due to reduced bus service hours.

Purchased Transportation expense is comprised of amounts paid to a private local contractor to provide the Authority's Project Mainstream service (door-to-door, service-on-demand in wheelchair lift-equipped minibuses for disabled riders). Although the total Project Mainstream ridership was only a slight increase of less than 1% in 2005, challenges with scheduling led to decreased productivity. The 2004 increase was driven by a 6.2% billing rate increase that became effective August 1, 2004 which offset a 1.9% decrease in the number of revenue hours provided.

Professional Services are provided by outside contractors to the Authority for a wide variety of professional, technical, consulting and maintenance needs. The decrease for 2005 is due to a reduction in legal expense. The slight increase for 2004 is due to increased legal activity.

Other Expenses consist primarily of utilities, taxes, interest, leases and rentals, claims and insurance and other miscellaneous expenses. Taxes were paid to the State on diesel fuel consumption at the rate of $0.26 per gallon until July 2005, and at the rate of $0.28 thereafter, which was responsible for the increase in fuel taxes paid. Real estate taxes are paid on non-exempt Authority property. Leases and rentals are paid on the downtown COTA Connection customer service center, the COTA Business Development Division office on Lake Shore Drive, the Project Mainstream paratransit offices on Phillipi Road, certain park-and-ride facilities, and miscellaneous equipment. The 2004 expenses decreased slightly due to cost-reducing measures implemented related to the use of copying machines. In addition, 2004 claims and insurance expense decreased due to reduced self-insurance claims for property damage.

Analysis of 2005 Financial Results

The year 2005 brought new challenges to COTA in its efforts to reverse the decline of the Authority's Net Assets. Soaring commodity prices for diesel fuel and natural gas added $1,374,000 and $221,000 worth of additional expense, respectively, to the Authority's 2005 Change in Net Assets. Sales Tax Revenue from the Authority's 0.25% sales tax in its taxing district, which normally increases from year to year, was down from 2004 by $163,000. To counteract these additional financial pressures by reducing fixed expenses, the Authority in May 2005 implemented an organizational improvement program to restructure the Authority's administrative staff. Led by COTA managers along with civic business leaders, the organizational improvement program made recommendations for improvements relating to the Authority's fixed route operations, vehicle maintenance operations, computer technology, marketing and communications, and labor relations. COTA's senior management, after a thorough review and assessment, implemented many of these recommendations.

During the month of December 2005, the Authority reached an agreement with Transport Workers' Union Local # 208 on a new three-year contract for the bargaining units representing the Authority's bus drivers, mechanics, and maintenance workers. The contract initially provides employees a lump-sum payment of $1,600 for skilled classifications and $800 for unskilled classifications, no general increase during the first year, and a 2% pay raise in each of the second and third years. The contract also includes provisions for graduated increases up to 10% of employee contributions on healthcare insurance premiums and changes to the union work rules designed to increase employee productivity in the workplace.

The Authority had previously received a "recommended" rating from the Federal Transit Administration (FTA) for the North Corridor Light Rail Project (NCLRT), a proposed thirteen mile long light rail line stretching from downtown Columbus to its far north side that also included fourteen rail stations, construction of a rail maintenance and storage facility, and the procurement of eighteen light rail vehicles. To retain the "recommended" status for the NCLRT for 2004, the Authority had to secure local funding by means of the passage of a tax levy to finance the Authority's portion of the project. Given the troubled economic climate of central Ohio at the beginning of 2004, the probability of the voters in the COTA taxing district approving a 0.25% sales tax increase to fund the NCLRT was not likely and a decision was made not to place the issue before the voters. In December 2004, the Authority notified the FTA and withdrew the NCLRT from the Preliminary Engineering phase in order to avoid a "not recommended" rating for the project. This decision will allow the Authority to re-apply for a rating to the FTA once local funding is secured.

The Authority then committed itself to advancing the NCLRT (now referred to as the North Corridor Transit Project) through the completion of the Draft Environmental Impact Statement (DEIS), scheduled for completion in 2006. During 2005, the Authority expanded the DEIS analysis to include other transportation options including the usage of streetcars or bus rapid transit as a reduced cost alternative to light rail in the north corridor.

The 2005 and 2004 Statements of Revenues, Expenses and Changes in Net Assets include a Special Item for the loss on transfer of assets. These items represent the continuation of a 2004 initiative to dispose of 38 revenue vehicles prior to the end of their useful life. In 2005, the loss of $2,392,547 resulted from the transfer of the federal interest of nineteen Advanced Bus Industries (ABI) buses to other transit systems eligible to receive FTA funding. In 2004, the loss of $1,803,954 resulted from the transfer of the federal interest of thirteen Advanced Bus Industries (ABI) buses to other transit systems that are eligible to receive FTA funding. Several factors led to the decision to transfer these buses, including the high maintenance costs and other challenges experienced by the Authority and its passengers. In 2005, the buses were transferred to transit systems in Colorado and Florida. In 2004, the buses were transferred to transit systems in California and South Dakota. Additional information on this Special Item may be found on Note 10 in the Notes to the Financial Statements located on page 52.

Overall, the Authority's decrease in net assets in 2005 of $5.9 million represents a 5% reduction in the Authority's Net Assets compared to 2004 and a 7% reduction since 2003. To counteract this trend, the Authority took action to reduce expenses in 2005 by reducing administrative expenses, disposing of inefficient buses, researching the use of alternative fuels, and negotiating a new labor agreement that provides financial stability for the next three years. In 2006, the Authority will implement additional measures including service reductions and the elimination of unproductive routes, consolidating fixed-route bus operations by relocating the Fields Avenue bus operations to the McKinley Avenue facility, and relocating paratransit operations from a leased facility located at Phillipi Road on the west-side of Columbus to the Authority's owned facility at a more-centrally located Fields Avenue. Consistent with management objectives, COTA continues to explore opportunities to increase the efficiency of every aspect of its operation in an effort to maximize available resources towards the provision of public transportation services for Central Ohio.

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets
December 31, 2005 and 2004

ASSETS	2005	2004
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,937,160	$ 6,923,843
Receivables:		
Sales tax	11,944,616	11,909,869
Federal operating assistance	-	4,265,558
Other	869,175	1,098,062
Inventory of materials and supplies	1,737,755	1,936,862
Other	416,658	392,823
Total	23,905,364	26,527,017
Board designated:		
Cash and cash equivalents - capital grants	1,366,749	2,291,141
Cash and cash equivalents - self insurance	603,136	430,663
Total	1,969,885	2,721,804
Restricted for capital grants:		
Federal capital grants receivable	506,343	439,465
State capital grants receivable	143,288	96,645
Total	649,631	536,110
Total current assets	26,524,880	29,784,931
NON-CURRENT ASSETS:		
Board designated:		
Cash and cash equivalents - self insurance	11,535,204	9,934,762
Investments - self-insurance	-	1,983,498
Total	11,535,204	11,918,260
Property and equipment		
Cost	178,388,367	171,308,856
Less accumulated depreciation	(95,492,830)	(88,701,373)
Total	82,895,537	82,607,483
Total non-current assets	94,430,741	94,525,743
TOTAL ASSETS	$ 120,955,621	$ 124,310,674

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Balance Sheets (continued)
December 31, 2005 and 2004

LIABILITIES AND NET ASSETS	2005	2004
CURRENT LIABILITIES:		
Accrued payroll and fringe benefits	$ 5,042,377	$ 5,592,120
Accounts payable	4,166,044	2,705,029
Accrued payroll taxes	655,850	649,868
Estimated workers compensation claims	130,208	141,519
Estimated claims payable	472,928	289,144
Other current liabilities	1,133,189	458,288
Total current liabilitites	11,600,596	9,835,968
NON-CURRENT LIABILITIES:		
Accrued fringe benefits	617,990	199,910
Deferred revenue lease property	50,908	-
Estimated workers compensation claims	390,746	96,399
Estimated claims payable	74,500	87,250
Total non-current liabilitites	1,134,144	383,559
TOTAL LIABILITIES	12,734,740	10,219,527
NET ASSETS:		
Invested in capital assets	82,895,537	82,607,483
Restricted for capital assets	649,631	536,110
Unrestricted	24,675,713	30,947,554
TOTAL NET ASSETS	108,220,881	114,091,147
TOTAL LIABILITIES AND NET ASSETS	$ 120,955,621	$ 124,310,674

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Revenues, Expenses and Changes in Net Assets
Years ended December 31, 2005 and 2004

	2005	2004
OPERATING REVENUES:		
Passenger fares for transit service	$ 11,404,545	$ 11,420,919
Special transit fares	326,018	347,367
Charter service revenue	11,643	33,540
Auxiliary transportation revenue	371,971	514,923
Total	12,114,177	12,316,749
OPERATING EXPENSES OTHER THAN DEPRECIATION:		
Labor	31,829,043	32,052,900
Fringe benefits	21,155,637	20,776,073
Materials and supplies	8,588,212	6,858,978
Purchased transportation	4,530,514	4,411,484
Services	3,722,092	3,951,600
Utilities	1,570,945	1,307,472
Taxes	742,924	691,837
Leases and rentals	570,504	516,590
Claims and insurance, net of settlements	595,191	274,749
Advertising	155,080	209,062
Miscellaneous	352,579	415,262
Total	73,812,721	71,466,007
DEPRECIATION	9,114,603	9,859,816
Total operating expenses	82,927,324	81,325,823
OPERATING LOSS	(70,813,147)	(69,009,074)
NON-OPERATING REVENUES:		
Sales tax revenues	44,821,588	44,984,894
Federal operating grants and reimbursements	11,055,758	10,687,631
State operating grants, reimbursements and special fare assistance	1,184,646	941,703
Investment income	649,640	293,186
Nontransportation and other revenue	538,547	402,391
Total	58,250,179	57,309,805
Loss before capital grants & special item	(12,562,968)	(11,699,269)
CAPITAL GRANT REVENUES:		
Federal	6,302,087	8,323,292
State	2,783,162	2,690,281
Other	-	366,884
Total	9,085,249	11,380,457
SPECIAL ITEM -		
Loss on transfer of assets	(2,392,547)	(1,803,954)
Total	(2,392,547)	(1,803,954)
CHANGES IN NET ASSETS	(5,870,266)	(2,122,766)
NET ASSETS, BEGINNING OF YEAR	114,091,147	116,213,913
NET ASSETS, END OF YEAR	$ 108,220,881	$ 114,091,147

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows
Years ended December 31, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 11,733,106	$ 11,801,826
Cash payments to suppliers for goods and services	(20,101,815)	(17,235,008)
Cash payments to employees for services	(31,836,063)	(32,260,165)
Cash payments for employees benefits	(21,280,279)	(21,284,801)
Cash payments for casualty and liability	(843,592)	(621,482)
Other receipts	1,139,405	535,070
Net cash used in operating activities	(61,189,238)	(59,064,560)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Sales taxes received	44,786,841	44,745,669
Federal operating assistance received	15,321,316	6,428,596
State operating and other assistance received	1,593,635	941,703
Net cash provided by non-capital financing activities	61,701,792	52,115,968
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Federal capital grants received	6,235,209	8,034,614
State capital grants received	2,736,519	2,879,995
Acquisition and construction of fixed assets	(9,563,680)	(11,985,135)
Proceeds from sale of fixed assets	308,100	-
Net cash used in capital and related financing activities	(283,852)	(1,070,526)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received from investments	649,640	389,735
Purchases of investments	-	(1,964,924)
Sales of investments	1,983,498	9,031,617
Net cash provided by investing activities	2,633,138	7,456,428
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,861,840	(562,690)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,580,409	20,143,099
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,442,249	$ 19,580,409

See notes to financial statements.

(continued)

CENTRAL OHIO TRANSIT AUTHORITY
Statements of Cash Flows (continued)
Years ended December 31, 2005 and 2004

	2005	2004
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating Loss	$ (70,813,147)	$ (69,009,074)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	9,114,603	9,859,816
Inventory obsolescence reserve adjustments	500,000	(450,118)
Deferred Revenue	64,792	-
Other receipts	538,547	402,391
Change in assets and liabilities:		
Decrease (increase) in other receivables	228,887	(382,244)
Decrease (increase) in materials and supplies inventory	(300,893)	671,505
Decrease (increase) in other assets	(23,835)	(72,937)
Increase (decrease) in accounts payable, accrued compensation, self-insurance liabilities and other	696,294	(83,899)
Net cash used in operating activities	$ (59,994,752)	$ (59,064,560)
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITY		
Property purchases in accounts payable	$ 1,597,390	$ 412,004
Land for Near East Transit Center donated by Columbus Compact Corporation	$ -	$ 366,884

See notes to financial statements.

(1) Organization and Reporting Entity

(a) Organization

The Central Ohio Transit Authority (COTA or the Authority) is an independent, special purpose 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 government unit.

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

The Authority also has the power, under Section 306.40 of the Ohio Revised Code, to levy and collect both voted (after approval at an election) and unvoted ad valorem taxes on all the taxable property within the territorial boundaries of the Authority, in order to pay debt service on its bonds and notes issued in anticipation thereof. Ad valorem taxes were not levied during fiscal years 2005 and 2004.

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.

(Continued)

(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 organization, 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.

(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 issues on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The Authority also has the option of following subsequent private-sector guidance, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance as it relates to its operations.

(b) Cash and Cash Equivalents

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

(Continued)

(c) *Grant and Assistance*

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

(d) *Investments*

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

(e) *Inventory of Materials and Supplies*

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

(f) *Board Designated Assets*

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

(g) *Designated for Capital Grant Expenditures*

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

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

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

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

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

(Continued)

(i) *Classifications of Revenues*

The Authority has classified its revenue as operating, non-operating or capital grant. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares, advertising, and concession revenue. Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as sales tax proceeds and most federal, state, or other reimbursement or donation for the acquisition of property and equipment.

Recognition of Revenue and Receivables

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

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

(j) *Property and Depreciation*

Property and equipment are stated at historical cost and include expenditures that substantially increase the useful lives of existing assets. Routine maintenance and repairs are expensed as incurred. An asset is capitalized if its value exceeds $2,000 and it has an economic life of greater than one year. The asset capitalization level for projects funded by grants is the full cost of the assets acquired regardless of the cost. The capitalization cost of a physical asset is defined to be the full cost of placing the asset into productive service.

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

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

(Continued)

(j) Property and Depreciation (Continued)

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

(k) Estimated Claims Payable

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

(l) Compensated Absences

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

	Current	Non-current
Compensated Absences Liability December 31, 2003	$ 3,875,165	$ 870,080
Vacation & Sick Liability Earned	3,853,764	-
Vacation & Sick Liability Paid	(3,692,322)	(670,170)
Compensated Absences Liability December 31, 2004	$ 4,036,607	$ 199,910
Vacation & Sick Liability Earned	3,757,201	-
Vacation & Sick Liability Paid	(4,299,923)	418,080
Compensated Absences Liability December 31, 2005	$ 3,493,885	$ 617,990

(m) Passenger Fares

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

(n) Budgetary Accounting and Control

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

(o) Use of Estimates

The accounting and reporting policies of COTA conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results differ from those estimates.

(p) Non-exchange Transactions

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include sales tax revenue and grants. On an accrual basis, revenue from sales taxes is recognized in the period when the underlying exchange transaction occurs. Therefore, taxes on items sold in 2005 will be recognized as revenue in 2005. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

(q) New Accounting Pronouncements

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* which establishes accounting and financial reporting standards for impairment of capital assets. This Statement also clarifies and establishes accounting requirements for insurance recoveries. The standard is effective for the periods beginning after December 15, 2004. We have completed our analysis of the effects of GASB No. 42 and found no significant impact to the 2005 financial statements.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefits Other than Pension Plans.* The standards in this statement apply for trust funds included in financial reports of plan sponsors or employers, as well as for the standalone financial reports of Other Postemployment Benefits ("OPEB") plans or the public employee retirement systems, or other third parties, that administer them. The provisions of this statement are effective for periods beginning after December 31, 2005.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* This statement established standards for the measurement, recognitions, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of the state and local government employers. This statement is effective for periods beginning after December 15, 2006.

(Continued)

(q) New Accounting Pronouncements (Continued)

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. This statement establishes standards for accounting and financial reporting for termination benefits provided by employers including early retirement incentives, severance benefits, and other termination-related benefits. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2005.

Central Ohio Transit Authority has not yet determined the impact that implementation of GASB Statement Nos. 43, 45, and 47 will have on its consolidated financial statements.

(3) Cash and Investments

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

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and 2004.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in addition to amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities with a market value equal to 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

(Continued)

(a) Deposits With Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposit. Such collateral, as permitted by Chapter 135 of the Ohio Revised Code, is held in financial institution collateral pools at Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Authority.

At December 31, 2005, the carrying amount of the Authority's deposits with financial institutions was $4,472,967 and the bank balance was $6,007,501. The difference results mainly from outstanding checks. Based on criteria as described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure", as of December 31, 2005, $100,919 was covered by Federal Deposit Insurance. The $5,907,501 exposed to custodial risk was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name. In addition, the Authority had $5,220 of cash on hand.

At December 31, 2004, the carrying amount of the Authority's deposits with financial institutions was $2,989,392 and the bank balance was $3,965,738. The difference results mainly from outstanding checks. In addition, the Authority had $5,220 of cash on hand. The amount of $100,000 was insured by the Federal Deposit Insurance Corporation and $3,865,738 was collateralized by a pool of securities maintained by the Authority's financial institutions but not in the Authority's name.

(b) Investments and Other Deposits

As of December 31, 2005 and 2004, the Authority held equity of $17,964,062 and $16,585,797, respectively, in the STAR Ohio investment pool. As of March 2006, Star Ohio has maintained the highest Standard and Poors rating of AAA. This investment has not been categorized based on a custodial risk because it is not a security. The relationship between the Authority and the investment asset is a direct contractual relationship and the investments evidence ownership or creditor ship. In 2004, the Authority held U.S. Treasury notes and federal agency obligations of $1,983,498 which matured in 2005.

(Continued)

(4) Capital Assets

Capital asset activities for the years ended December 31, 2005 and 2004 are as follows:

	January 1, 2005	Additions	Disposals	Transfers	December 31, 2005
Capital Assets Not Being Depreciated:					
Land	$ 5,540,116	$ -	$ (94,540)	$ -	$ 5,445,576
CIP	19,007,340	3,525,037	(91,220)	(2,747,196)	19,693,961
Total	24,547,456	3,525,037	(185,760)	(2,747,196)	25,139,537
Capital Assets Being Depreciated:					
Land and leasehold improvements	8,945,518	-	-	151,528	9,097,046
Building and improvements	38,675,598	3,678,541	-	2,595,668	44,949,807
Revenue vehicles	68,728,879	4,697,629	(4,100,356)	-	69,326,152
Transit shelter	2,120,905	-	-	-	2,120,905
Other equipment	28,290,500	33,244	(568,824)	-	27,754,920
Total	146,761,400	8,409,414	(4,669,180)	2,747,196	153,248,830
Less Accumulated Depreciation:					
Land and leasehold improvements	(6,077,564)	(203,844)	-	-	(6,281,408)
Building and improvements	(16,430,817)	(1,197,765)	-	-	(17,628,582)
Revenue vehicles	(40,715,897)	(5,281,506)	1,667,186	-	(44,330,217)
Transit shelter	(2,037,608)	(57,081)	-	-	(2,094,689)
Other equipment	(23,439,487)	(2,271,485)	553,038	-	(25,157,934)
Total	(88,701,373)	(9,011,681)	2,220,224	-	(95,492,830)
Total Capital Assets Being Depreciated, Net	58,060,027	(602,267)	(2,448,956)	2,747,196	57,756,000
Total Capital Assets, Net	$ 82,607,483	$ 2,922,770	$ (2,634,716)	$ -	$ 82,895,537

For discussion of the $2,392,547 transfer of revenue vehicles, see Note 10, Special Item.

(4) Capital Assets (Continued)

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

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

(5) Leases

COTA leases certain property and office equipment under operating leases. Rental expense for all operating leases was approximately $653,000 in 2005 and $709,000 in 2004. No lease commitments exist after 2008. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more, consists of the following at December 31, 2005:

	Commitments under Operating Leases
2006	$ 295,402
2007	176,052
2008	4,929
Total minimum lease payments	$ 476,383

(Continued)

(6) Grants, Reimbursements and Special Fare Assistance

Grants, reimbursements and special fare assistance included in the Statement of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2005 and 2004, consist of the following:

	2005	2004
Federal:		
FTA Operating Assistance	$ 11,055,758	$ 10,687,631
FTA Capital Assistance	6,302,087	8,323,292
Total	$ 17,357,845	$ 19,010,923
State:		
ODOT Elderly and Disabled Fare Assistance	$ 533,172	$ 357,062
ODOT Fuel Tax Reimbursement	651,474	584,641
ODOT Capital Assistance	2,783,162	2,690,281
Total	$ 3,967,808	$ 3,631,984
Other:		
Land donated for Near East Transit Center	$ -	$ 366,884

(7) Risk Management

COTA is exposed to various risks of loss related to torts, theft or destruction of assets, injuries to employees and natural disasters. The Authority purchases commercial insurance for employee bonding, flood, fire, property, crime, travel and general liability.

COTA is self-insured for all public liability, personal injury and property damage claims. The estimated liability for such claims of $547,428 at December 31, 2005, and $376,394 at December 31, 2004, are included in liabilities payable from restricted assets in the accompanying balance sheets. At December 31, 2005, and 2004, $12,138,340 and $12,348,923, respectively, were restricted by the Board of Trustees to fund the self-insurance program. Such funds are included in board designated assets in the accompanying balance sheets.

Prior to June 30, 1998, COTA was insured through the State of Ohio Bureau of Workers' Compensation (BWC) for injuries to its employees. On July 1, 1998, the Authority entered into an agreement with the BWC to become self-insured for claims pertaining to work-related injuries to Authority employees occurring on or after that date. The BWC agreed to continue to administer and pay all compensation claims arising on or before June 30, 1998. The estimated liability for all such claims occurring since July 1, 1998, is $520,954 at December 31, 2005, and is included as a liability in the accompanying balance sheet.

(Continued)

(7) Risk Management (Continued)

The general claims liability was calculated by establishing reserves on a case-by-case basis after analysis by in-house counsel and outside attorneys. The workers' compensation liability was determined by analyzing claim lag information provided by COTA third party administrators. A summary of changes in self-insurance claims liability for the years ended December 31, 2005 and 2004 follows:

	General Liability	Workers' Compensation
Claims liability at December 31, 2003	$ 341,913	$ 234,240
Incurred claims, net of favorable settlements	141,968	517,673
Claims paid	(107,487)	(513,995)
Claims liability at December 31, 2004	376,394	237,918
Incurred claims, net of favorable settlements	529,127	768,535
Claims paid	(358,093)	(485,499)
Claims liability at December 31, 2005	$ 547,428	$ 520,954

(8) Pension Plan

(a) Plan Description

COTA contributes to the Ohio Public Employees Retirement System (OPERS), which administers three separate pension plans as described below:

The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.

The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions, plus any investment earnings.

The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets similar to the Member-Directed Plan.

(Continued)

(a) Plan Description

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. Chapter 145 of the Ohio Revised Code (ORC) assigns the authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues a stand-alone financial report that includes the financial statements. That report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling 1-614-222-6701 or 1-800-222-PERS (7377).

(b) Funding Policy

The ORC provides statutory authority for member and employer contributions. For 2005, member and employer contribution rates were consistent across all three plans. Plan members are required to contribute 8.5% of their annual covered salary and COTA is required to contribute an actuarially determined rate. The 2005 and 2004 employer contribution rate for local government employer units was 13.55% of annual covered payroll. The Authority's contributions to OPERS for the years ending December 31, 2005 and 2004 were approximately $4,887,000 and $5,020,000, respectively, equal to the required contributions for each year. Required employer contributions are equal to 100% of the dollar amount billed to each employer.

(c) Other Post-employment Benefits

OPERS provides post-retirement health care coverage to age and service retirees under the Traditional Pension and Combined Plans with 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for funding of the post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units, the 2005 rate was 13.55% of covered payroll; and 4.00% was the portion that was used to fund health care for the year. COTA's contributions actually made to fund post-employment benefits totaled $1,443,000 in 2005 and $1,482,000 in 2004. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS.

(Continued)

(c) Other Post-employment Benefits (Continued)

Summary of assumptions:

Actuarial Review – The assumptions and calculations below were based on OPERS' latest actuarial review performed as of December 31, 2004.

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

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

Investment Return – The investment assumption rate for 2004 was 8.00%.

Active Employee Total Payroll – An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%.

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

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants at December 31, 2005, was 376,109. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2004 was $10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.5 billion and $18.7 billion, respectively.

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

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

(Continued)

(9) Contingent Liabilities

(a) Litigation

It is the Authority's policy to act as self-insurer for certain insurable risks consisting primarily of public liability and property damage. At December 31, 2005, 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, 2005, there were no material questioned costs that had not been resolved with appropriate federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of COTA's management, no material grant expenditures will be disallowed.

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

(10) Special Item

In 2001, the Authority purchased 38 low-floor 30-foot diesel powered buses from Advanced Bus Industries (ABI). In the fall of 2001, ABI filed for bankruptcy and the company's assets were liquidated. During the next three years, COTA experienced a multitude of equipment failures on the ABI buses including chassis structure cracks, passenger door controller problems, engine compartment seal defects, and premature brake wear. In 2003, the ABI buses were the costliest in the fleet to operate at $0.55 per mile. Service calls on ABI buses amounted to 23% of all fleet breakdowns. In October 2004, the Authority received permission from the FTA to transfer the remaining Federal interest in thirteen of the ABI buses to other FTA grant recipient transit systems. The COTA Board of Trustees authorized the transfer of the Federal interest and title. The transfer of the thirteen ABI buses resulted in a $1,803,954 loss in 2004 of the remaining net book value of the buses. In December 2004, the Authority received permission from the FTA to transfer the remaining Federal interest in nineteen of the ABI buses to other FTA grant recipient transit systems and the COTA Board of Trustees authorized the transfer of the Federal interest and title. The transfer of the nineteen ABI buses resulted in a $2,392,547 loss in 2005 of the remaining net book value of the buses. The Authority purchased new replacement buses in 2004 and 2005 with lower operating and maintenance costs.

(Continued)

(11) Construction Commitments

The Authority has an active construction project as of December 31, 2005. The project is the completion of the Draft Environmental Impact Statement (DEIS) for the North Corridor Light Rail Project. At year-end COTA's commitments with contractors are as follows:

	Spent-to-Date	Remaining Commitment
North Corridor Light Rail	$ 9,932,015	$ 5,028,041

In the current Preliminary Engineering stage of the North Corridor Light Rail project, the FTA contributes 54% toward the environmental expenses necessary to complete the DEIS, also known as TRAC eligible expenses. The State of Ohio contributes 45% of TRAC eligible expenses, and in the current phase, the Authority funds less than 1% of the expenses. During the DEIS preparation, 100% of non-TRAC eligible expenses are reimbursed by Federal funds. At December 31, 2005, the Authority has capitalized $9.9 million in construction in process and has concluded that none of these amounts are impaired under GASB Statement No. 42.

CENTRAL OHIO TRANSIT AUTHORITY
Supplemental Schedule of Revenues, Expenses and Changes in Net Assets - Budget vs. Actual (Accrual Basis)
Year ended December 31, 2005

	BUDGET	ACTUAL	FAVORABLE / (UNFAVORABLE) VARIANCE
OPERATING REVENUES	$ 12,082,279	$ 12,114,177	$ 31,898
OPERATING EXPENSES OTHER THAN DEPRECIATION:			
Labor	36,965,138	31,829,043	5,136,095
Fringe benefits	16,094,062	21,155,637	(5,061,575)
Materials and supplies	8,649,297	8,588,212	61,085
Purchased transportation	4,603,302	4,530,514	72,788
Services	3,876,130	3,722,092	154,038
Utilities	1,727,352	1,570,945	156,407
Taxes	763,016	742,924	20,092
Leases and rentals	627,324	570,504	56,820
Claims and insurance, net of settlements	848,928	595,191	253,737
Advertising	160,000	155,080	4,920
Miscellaneous	442,034	352,579	89,455
Total	74,756,583	73,812,721	943,862
DEPRECIATION	11,827,835	9,114,603	2,713,232
Total operating expenses	86,584,418	82,927,324	3,657,094
OPERATING LOSS	(74,502,139)	(70,813,147)	3,688,992
NON-OPERATING REVENUES (EXPENSES):			
Sales tax revenues	46,461,639	44,821,588	(1,640,051)
Federal operating grants and reimbursements	10,607,935	11,055,758	447,823
State operating grants, reimbursements and special fare assistance	1,143,095	1,184,646	41,551
Investment income	337,500	649,640	312,140
Nontransportation and other revenues	332,895	538,547	205,652
Total	58,883,064	58,250,179	(632,885)
Loss before capital grants	(15,619,075)	(12,562,968)	3,056,107
CAPITAL GRANT REVENUE:			
Federal	9,895,502	6,302,087	(3,593,415)
State	3,327,059	2,783,162	(543,897)
Other	-	-	-
Total	13,222,561	9,085,249	(4,137,312)
SPECIAL ITEM			
Loss on transfer of assets	-	(2,392,547)	(2,392,547)
Total	-	(2,392,547)	(2,392,547)
CHANGE IN NET ASSETS	(2,396,514)	(5,870,266)	(3,473,752)
NET ASSETS, BEGINNING OF YEAR	114,091,147	114,091,147	-
NET ASSETS, END OF YEAR	$ 111,694,633	$ 108,220,881	$ (3,473,752)

See accompanying Independent Auditors' report.

STATISTICAL

SECTION

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

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OPERATING REVENUES:										
Passenger fares for transit service	$ 11,493	$ 12,143	$ 12,680	$ 12,795	$ 12,779	$ 12,762	$ 12,773	$ 12,013	$ 11,421	$ 11,405
Special transit fares	188	258	431	385	476	433	291	374	347	326
Charter service revenue	7	21	24	22	30	21	18	23	34	12
Auxiliary transportation revenue	952	814	939	983	880	887	730	568	515	372
Total operating revenues	12,640	13,236	14,074	14,185	14,165	14,103	13,812	12,978	12,317	12,115
NONOPERATING REVENUES:										
Sales tax revenues	32,004 (1)	34,699 (1)	36,804 (1)	40,911 (1)	41,543 (1)	41,748 (1)	41,245	43,774	44,985	44,821
Federal operating grants and reimbursements	2,105	3,426	1,920	9,727	11,211	11,389	12,400	10,874	10,688	11,056
State operating grants, reimbursements and special fare assistance	3,468	3,367	3,655	3,342	3,920	2,136	860	722	942	1,185
Investment income	1,334	1,476	1,686	1,528	1,781	1,310	900	423	293	650
Nontransportation and other revenues	342	255	185	142	252	400	1,184	440	402	538
Experience Refund from Bureau of Workers' Compensation (BWC)	-	-	2,022	-	-	-	-	-	-	-
Planning study assistance revenues	155	46	55	30	17	-	-	-	-	-
Total nonoperating revenues before capital gifts and grants	39,408	43,269	46,327	55,680	58,724	56,983	56,589	56,233	57,310	58,250
Capital gifts and grants:										
Federal capital grants	2,453	2,378	3,312	9,386	5,138	23,475	3,125	6,399	8,323	6,302
State capital grants	54	152	34	876	617	2,850	351	2,275	2,690	2,783
Transfer of local share on capital funding earned	-	-	-	-	-	-	-	-	-	-
Donated capital	-	-	-	942	-	-	-	-	367	-
TOTAL REVENUES	$ 54,555	$ 59,035	$ 63,747	$ 81,069	$ 78,644	$ 97,411	$ 73,877	$ 77,885	$ 81,007	$ 79,450

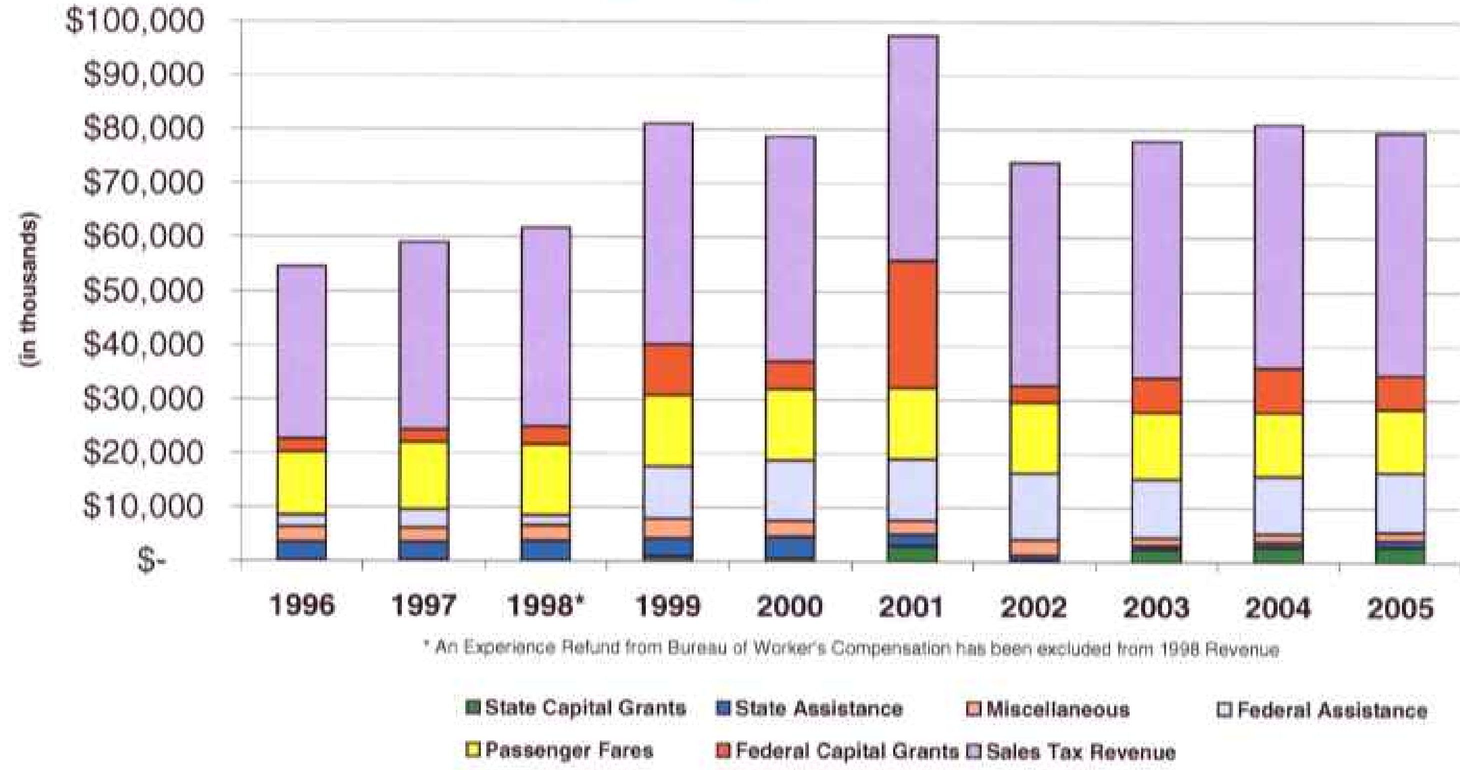
Amounts are presented in accordance with generally accepted accounting principles, on an accrual basis

Source: The Authority's independently audited annual financial statements

(1) Sales Tax Revenues are restated prior to 2001 due to changes in the recording of the revenue when earned, rather than when payment is received.

CENTRAL OHIO TRANSIT AUTHORITY

Revenues by Source
Last Ten Fiscal Years



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

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

TRANSPORTATION INDUSTRY (1)

	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL
YEAR	PASSENGER	OTHER	TOTAL	STATE & LOCAL	FEDERAL	TOTAL	ALL REVENUES
1996	38.7%	15.3%	54.0%	42.9%	3.1%	46.0%	100.0%
1997	40.1	15.6	55.7	41.3	3.0	44.3	100.0
1998	40.8	15.2	56.0	40.1	3.9	44.0	100.0
1999	37.3	16.4	53.7	42.4	3.9	46.3	100.0
2000	36.1	17.4	53.5	42.4	4.1	46.5	100.0
2001	35.2	14.1	49.3	46.2	4.5	50.7	100.0
2002	32.5	17.3	49.8	45.3	4.9	50.2	100.0
2003	32.6	18.1	50.7	43.5	5.8	49.3	100.0
2004	32.9	16.7	49.6	43.4	7.0	50.4	100.0
2005	*	*	*	*	*	*	*

CENTRAL OHIO TRANSIT AUTHORITY (2)

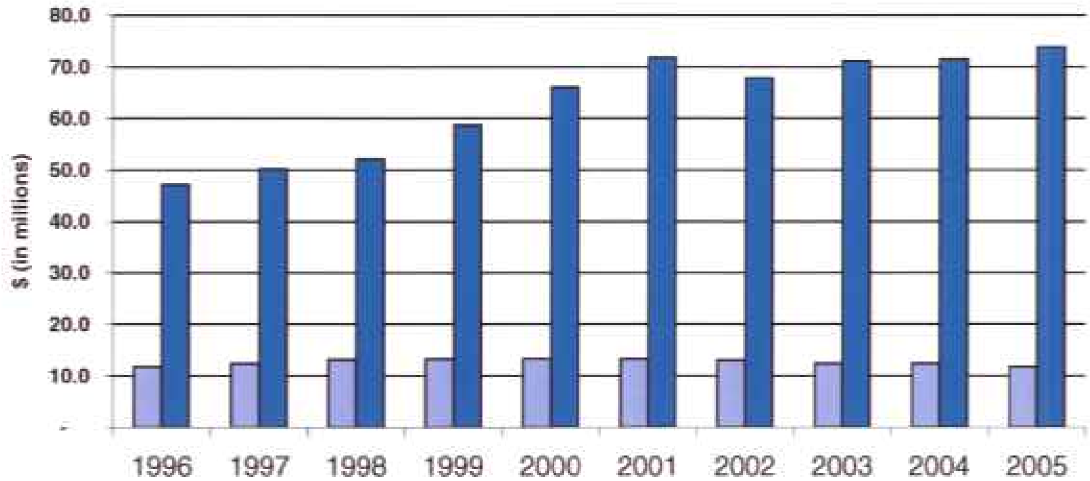
	OPERATING AND OTHER REVENUE				OPERATING ASSISTANCE			TOTAL
YEAR	PASSENGER	OTHER (3)		TOTAL	STATE & LOCAL (5)	FEDERAL	TOTAL	ALL REVENUES
1996	21.4%	9.7%		31.1%	65.0%	3.9%	68.9%	100.0%
1997	21.0	8.7		29.7	64.5	5.8	70.3	100.0
1998	21.3	10.1	(4)	31.4	65.5	3.1	68.6	100.0
1999	16.3	17.1		33.4	54.6	12.0	66.6	100.0
2000	16.9	11.0		27.9	57.8	14.3	72.1	100.0
2001	13.6	29.7		43.3	45.0	11.7	56.7	100.0
2002	17.7	8.5		26.2	57.0	16.8	73.8	100.0
2003	15.9	13.0		28.9	57.1	14.0	71.1	100.0
2004	14.6	15.5		30.1	56.7	13.2	69.9	100.0
2005	14.8	13.4		28.2	57.9	13.9	71.8	100.0

* Information not available

(1) Source: The American Public Transit Association, *APTA Transit Fact Book*
(2) Percentages are derived from the Authority's independently audited annual financial statements, restated prior to 2001 due to changes in the recording of local sales tax revenue and the recognition of capital grants and gifts as revenues
(3) Includes auxiliary transportation revenues, interest income, planning study assistance revenue, nontransportation, other revenues and capital grants
(4) Excludes experience refund from the Bureau of Workers' Compensation (BWC)
(5) Includes local sales tax revenues, and state operating grants, reimbursements, and special fare assistance

CENTRAL OHIO TRANSIT AUTHORITY

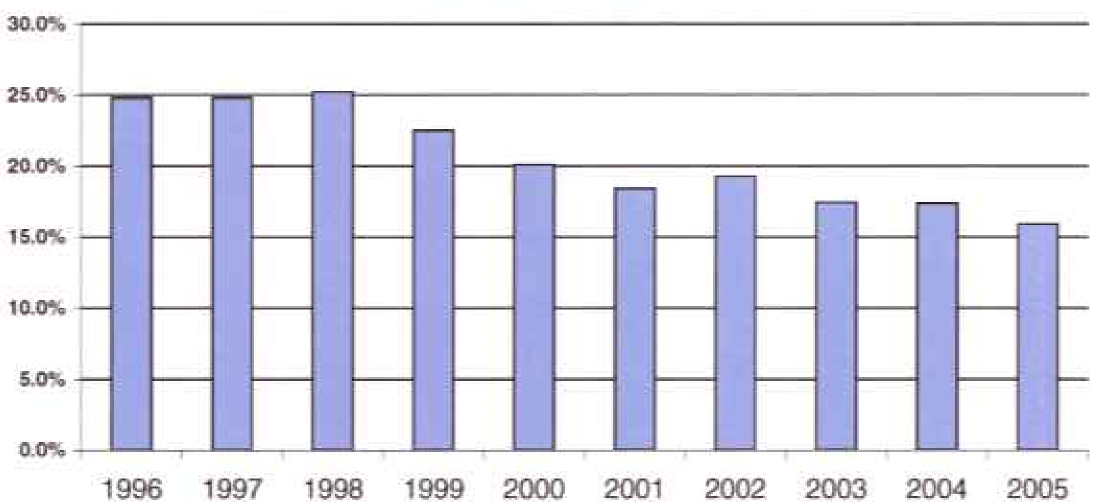
Farebox Revenues vs. Operating Expenses
Last Ten Fiscal Years



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

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)

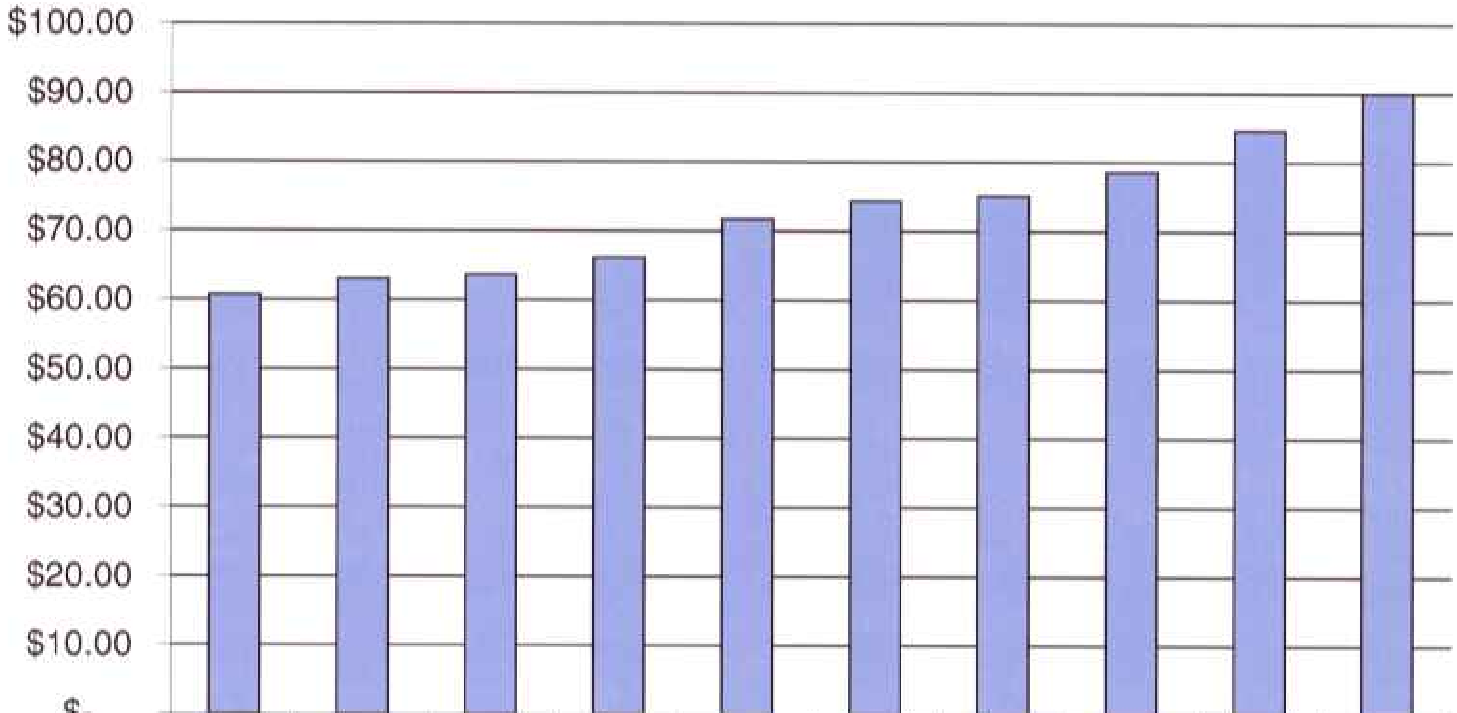
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
OPERATING EXPENSES OTHER THAN DEPRECIATION:										
Labor	$ 23,968	$ 24,729	$ 26,551	$ 28,518	$ 31,218	$ 34,037	$ 32,590	$ 32,752	$ 32,053	$ 31,829
Fringe benefits	12,117	13,579	12,790	14,233	14,694	18,504	18,769	19,934	20,776	21,156
Services	2,237	2,413	2,913	5,003	6,184	4,714	3,765	3,808	3,952	3,722
Materials and supplies	1,996	2,006	2,538	2,690	3,350	3,572	3,364	4,177	3,869	4,224
Fuel	1,764	1,635	1,317	1,621	2,793	2,713	2,119	2,478	2,990	4,364
Utilities	1,062	887	892	970	1,137	1,369	1,173	1,337	1,307	1,571
Claims and insurance	(72)	106	99	224	276	440	337	390	275	595
Taxes	576	569	594	635	649	696	621	654	692	743
Purchased transportation	2,469	2,942	3,023	3,268	3,912	4,077	3,877	4,257	4,411	4,531
Leases and rentals	211	161	151	132	285	399	558	523	517	570
Miscellaneous	787	1,090	1,275	1,392	1,578	1,255	677	781	624	508
Total	47,115	50,117	52,143	58,686	66,076	71,776	67,850	71,091	71,466	73,813
DEPRECIATION	8,176	7,370	7,750	8,252	8,635	10,851	13,644	10,939	9,860	9,114
Total operating expenses	55,291	57,487	59,893	66,938	74,711	82,627	81,494	82,030	81,326	82,927
NONOPERATING EXPENSES:										
Interest expense	370	298	221	140	53	0	0	0	0	0
Planning study expense	193	58	68	37	21	0	0	0	0	0
TOTAL EXPENSES	$ 55,854	$ 57,843	$ 60,182	$ 67,115	$ 74,785	$ 82,627	$ 81,494	$ 82,030	$ 81,326	$ 82,927

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



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Expense per Vehicle Hour	$60.69	$63.03	$63.65	$66.18	$71.71	$74.37	$75.14	$78.58	$84.63	$89.97

Operating expenses exclude depreciation

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

TRANSPORTATION INDUSTRY (1)

YEAR	LABOR AND FRINGES	SERVICES	MATERIALS AND SUPPLIES	UTILITIES	CLAIMS AND INSURANCE	PURCHASED TRANS-PORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
1996	71.6%	5.1%	9.3%	3.6%	2.8%	9.9%	(2.3%)	100.0%
1997	72.2%	5.6%	9.4%	3.7%	2.7%	9.1%	(2.7%)	100.0%
1998	71.7%	6.0%	9.4%	3.5%	2.4%	10.1%	(3.1%)	100.0%
1999	70.9%	5.9%	9.2%	3.3%	2.2%	11.5%	(3.0%)	100.0%
2000	69.8%	5.7%	10.0%	3.2%	2.2%	12.2%	(3.1%)	100.0%
2001	69.5%	5.9%	10.0%	3.3%	2.1%	12.6%	(3.4%)	100.0%
2002	70.2%	6.2%	9.2%	3.1%	2.5%	12.0%	(3.2%)	100.0%
2003	69.1%	6.0%	9.0%	3.0%	2.6%	13.4%	(3.1%)	100.0%
2004	68.7%	5.8%	9.1%	3.0%	2.6%	13.4%	(2.6%)	100.0%
2005	*	*	*	*	*	*	*	*

CENTRAL OHIO TRANSIT AUTHORITY (3)

YEAR	LABOR AND FRINGES	SERVICES	MATERIALS AND SUPPLIES	UTILITIES	CLAIMS AND INSURANCE	PURCHASED TRANS-PORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
1996	76.6%	4.8%	8.0%	2.3%	(0.2%)	5.2%	3.3%	100.0%
1997	76.4%	4.8%	7.3%	1.8%	0.2%	5.9%	3.6%	100.0%
1998	75.4%	5.6%	7.4%	1.7%	0.2%	5.8%	3.9%	100.0%
1999	72.8%	8.5%	7.3%	1.7%	0.4%	5.6%	3.7%	100.0%
2000	69.5%	9.4%	9.3%	1.7%	0.4%	5.9%	3.8%	100.0%
2001	73.2%	6.6%	8.7%	1.9%	0.6%	5.7%	3.3%	100.0%
2002	75.7%	5.5%	8.2%	1.7%	0.5%	5.7%	2.7%	100.0%
2003	74.1%	5.4%	9.3%	1.9%	0.5%	6.0%	2.8%	100.0%
2004	73.9%	5.5%	9.6%	1.8%	0.4%	6.2%	2.6%	100.0%
2005	71.9%	5.0%	11.6%	2.1%	0.8%	6.1%	2.5%	100.0%

* Information not available

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

(2) Total operating expenses exclude depreciation

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

CENTRAL OHIO TRANSIT AUTHORITY
Legal Debt Margin
December 31, 2005
(in thousands)

CALCULATION OF LEGAL OVERALL DEBT MARGIN:

Total assessed property valuation of Authority (2005 tax year valuation) (1)	$ 29,101,151,990
Multiplied by: Legal overall debt limitation (%)	5.00%
Equals: Total legal voted and unvoted debt limitation	$ 1,455,057,600
Less: Nonexempt general obligation debt (voted and unvoted) (2)	$ -
Equals: Legal overall debt margin (maximum amount permitted for new voted and unvoted nonexempt general obligation debt issuances)	$ 1,455,057,600

CALCULATION OF LEGAL UNVOTED DEBT MARGIN:

Total assessed property valuation of Franklin County (2005 tax year valuation) (1)	$ 29,101,151,990
Multiplied by: Legal unvoted debt limitation (%)	0.10%
Equals: Legal unvoted debt limitation	$ 29,101,152
Less: Maximum aggregate amounts of principal and interest payable in any one calendar year (2)	$ -
Equals: Legal unvoted debt margin (maximum annual debt service charges permitted for new unvoted nonexempt general obligation debt issuances)....	$ 29,101,152

Sources:

(1) Franklin County Auditor's Office

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

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

YEAR	POPULATION		ASSESSED VALUE (3)	GENERAL BONDED DEBT (4)	RATIO OF BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
1996	1,042,011	(2)	$ 17,356,432,082	$ 4,970,000	0.03%	$ 4.77
1997	1,056,654	(2)	$ 17,916,289,322	$ 3,840,000	0.02%	$ 3.63
1998	1,067,002	(2)	$ 18,607,708,184	$ 2,640,000	0.01%	$ 2.47
1999	1,079,204	(2)	$ 21,032,111,000	$ 1,360,000	0.01%	$ 1.26
2000	1,068,978	(1)	$ 22,321,127,505	$ -	0.00%	$ -
2001	1,071,524	(1)	$ 22,705,244,424	$ -	0.00%	$ -
2002	1,086,814	(1)	$ 25,447,191,720	$ -	0.00%	$ -
2003	1,088,944	(1)	$ 25,474,792,681	$ -	0.00%	$ -
2004	1,088,971	(1)	$ 26,007,315,683	$ -	0.00%	$ -
2005	1,112,880	(1)	$ 29,101,151,990	$ -	0.00%	$ -

Sources:

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

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

(3) Franklin County Auditor's Office

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

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

YEAR	REVENUES (1)	CAPITAL GRANTS	EXPENSES (2)	NET REVENUE OVER EXPENSES AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS (3) PRINCIPAL	INTEREST	TOTAL	DEBT COVERAGE RATIO
1996	$54,555,395 (4)	$2,506,711	$47,308,852	$4,739,832	$1,060,000	$398,940	$1,458,940	3.25
1997	$59,034,746 (4)	$2,529,386	$50,174,869	$6,330,491	$1,130,000	$328,980	$1,458,980	4.34
1998	$63,747,021 (4)	$3,346,323	$52,212,282	$8,188,416	$1,200,000	$254,400	$1,454,400	5.63
1999	$81,068,790 (4)	$11,204,322	$58,723,178	$11,141,290	$1,280,000	$174,900	$1,454,900	7.66
2000	$78,643,939 (4)	$5,754,983	$66,098,090	$6,790,866	$1,360,000	$52,557	$1,412,557	4.81
2001	$97,411,440	$26,326,019	$71,775,532	($690,111)	$ -	$ -	$ -	N/A
2002	$73,876,513	$3,476,162	$67,850,330	$2,550,021	$ -	$ -	$ -	N/A
2003	$77,884,781	$8,673,569	$71,091,115	($1,879,903)	$ -	$ -	$ -	N/A
2004	$81,007,011	$11,380,457	$71,466,007	($1,839,453) (5)	$ -	$ -	$ -	N/A
2005	$79,449,605	$9,085,249	$73,812,721	($3,448,365) (5)	$ -	$ -	$ -	N/A

Source: The Authority's independently audited financial statements

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

(2) Total expenses exclude depreciation and interest expense

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

(4) Revenues are restated prior to 2001 due to changes in the recording of sales tax revenue and the recognition of capital grants as revenue

(5) Excludes Special Item (2004 and 2005)

CENTRAL OHIO TRANSIT AUTHORITY
Computation of Direct and Overlapping Debt
December 31, 2005

Political Subdivision	General Obligation	--Applicable to the Authority-- Percentage	Amount
Central Ohio Transit Authority	$ -	100.00%	$ -
Franklin County	144,596,863	100.00%	144,596,863
Cities wholly within COTA	91,220,814	100.00%	91,220,814
Cities with Overlapping:			
City of Columbus	1,507,094,223	97.91%	1,475,595,954
City of Dublin	49,526,078	86.33%	42,755,863
City of Pickerington	14,235,000	0.44%	62,634
City of Reynoldsburg	22,610,000	72.08%	16,297,288
City of Westerville	35,380,000	73.54%	26,018,452
Villages wholly within COTA	39,747,736	100.00%	39,747,736
Villages with Overlapping:			
Village of Canal Winchester	6,079,137	89.49%	5,440,220
Townships wholly within COTA	4,921,863	100.00%	4,921,863
Townships with Overlapping:			
Washington Township	2,835,000	86.57%	2,454,260
School Districts wholly within COTA	525,911,654	100.00%	525,911,654
School Districts with Overlapping:			
Canal Winchester Local S.D.	73,326,829	76.92%	56,402,997
Dublin City S.D.	105,939,196	61.35%	64,993,697
Hilliard City S.D.	109,201,772	99.99%	109,190,852
Licking Heights Local S.D.	21,411,046	51.74%	11,078,075
Olentangy Local S.D.	47,945,000	0.11%	52,740
Pickerington Local S.D.	92,579,626	1.58%	1,462,758
Plain Local S.D.	83,011,222	99.98%	82,994,620
Reynoldburg City S.D.	41,423,617	74.62%	30,910,303
South-Western City S.D.	119,806,012	99.85%	119,626,303
Teays Valley Local S.D.	20,500,286	0.09%	18,450
Westerville City S.D.	118,629,632	65.67%	77,904,079
Delaware County Joint Vocational S.D.	155,000	0.07%	109
Eastland Joint Vocational S.D.	0	64.63%	0
Licking County Joint Vocational S.D.	513,000	6.26%	32,114
Special District with Overlapping:			
Delaware County District Library	1,160,000	0.07%	812
New Albany/Plain Joint Park District	4,729,992	99.90%	4,725,262
Total			$ 2,934,416,770

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

Note: Percentages determined by dividing the assessed valuation of the Authority by the total assessed valuation which includes all overlapping. Valuations used are the 2005 tax year.

CENTRAL OHIO TRANSIT AUTHORITY
Operating Statistics
Last Ten Fiscal Years

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
SYSTEM RIDERSHIP										
Motor bus..........................	17,553,264	17,762,583	18,326,115	18,790,187	18,742,704	18,388,361	16,193,336	15,626,090	14,543,928	14,625,379
Demand responsive.........	101,801	106,125	106,398	120,959	132,083	145,472	144,149	159,043	159,144	164,167
AVERAGE WEEKDAY SYSTEM RIDERSHIP										
Motor bus..........................	59,993	61,183	62,410	64,152	64,195	62,727	55,388	53,564	49,524	50,035
Demand responsive.........	360	377	377	430	448	494	491	545	533	556
VEHICLE MILES OPERATED										
Motor bus..........................	9,699,757	9,663,430	10,192,042	10,857,075	11,071,394	11,733,569	10,841,703	10,436,614	9,901,688	9,791,598
Demand responsive.........	1,367,784	1,651,280	1,612,679	1,657,429	1,972,276	2,261,162	2,300,019	2,425,619	2,390,749	2,503,071
AVERAGE WEEKDAY VEHICLE MILES OPERATED										
Motor bus..........................	32,481	32,360	34,667	36,554	37,611	39,685	36,773	35,334	33,560	32,819
Demand responsive.........	4,901	5,790	5,648	5,812	6,815	7,658	7,827	8,211	7,938	8,452
REVENUE MILES										
Motor bus..........................	7,938,033	7,887,056	8,323,748	8,837,544	8,976,194	9,613,569	8,969,438	8,573,845	8,172,292	8,026,651
Demand responsive.........	1,134,584	1,328,320	1,314,432	1,376,978	1,794,407	1,910,178	1,840,470	1,974,193	2,019,210	2,135,309
PASSENGER MILES										
Motor bus..........................	71,654,194	70,436,988	73,676,286	77,630,395	74,871,624	73,620,822	66,760,008	59,179,319	48,218,094	58,685,850
Demand responsive.........	1,052,776	991,220	993,803	1,197,628	1,137,037	1,210,873	1,167,147	1,233,710	1,475,406	1,596,026

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

(continued on next page)

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

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
VEHICLE HOURS OPERATED (1)										
Motor bus	697,136	701,934	727,710	793,260	806,190	838,841	776,011	747,313	702,807	692,438
Demand responsive	79,221	93,220	91,490	96,238	116,232	126,211	127,016	136,894	129,939	127,981
VEHICLE REVENUE HOURS (1)										
Motor bus	626,187	631,904	654,377	713,514	723,458	754,911	704,603	679,857	638,431	628,815
Demand responsive	68,857	78,304	79,515	83,043	100,346	108,908	103,217	112,360	110,113	109,141
DIESEL & BIODIESEL FUEL USAGE (IN GALLONS) (2)	2,520,895	2,346,910	2,511,320	2,818,479	2,539,085	2,780,251	2,665,189	2,607,032	2,460,343	2,496,363
FLEET REQUIREMENTS (DURING PEAK HOURS) (1)										
Motor bus	256	252	258	266	277	282	250	247	230	228
Demand responsive	30	32	32	36	36	36	38	43	43	47
TOTAL REVENUE VEHICLES DURING PERIOD (1)										
Motor bus	370	325	312	321	322	346	299	308	276	274
Demand responsive	41	38	38	43	43	43	43	58	58	57
NUMBER OF EMPLOYEES (1)	683	710	747	796	815	843	775	757	722	690

Source:

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

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

CENTRAL OHIO TRANSIT AUTHORITY
Fare Rate Structure
December 31, 2005

CASH OR TICKET FARES:	
Express	$ 1.75
Local and crosstown	1.25
Project Mainstream ADA Trip (1)	2.25
Project Mainstream Non-ADA Trip (1)	3.00
COTA LINK (2)	0.25
Transfer	0.10
DAY PASSES (3):	
Adult (4)	$ 3.00
Human Service Agency (5)	2.50
Children over 48" and under 12 years old, Senior Discount Card (6) or Key Card (7)	1.50
Seven-Day Pass	12.50
MONTHLY PASSES:	
Express	$ 55.00
Local	40.00
Project Mainstream (1)	70.00
Senior Discount Card (6), or Key Card (7)	18.00
SPECIAL FARES:	
Children over 48" and under 12 years old, Senior Discount Card (6), or Key Card (7)	$ 0.60
Children under 48" tall	FREE
All ADA Card (8) recipients on fixed-route bus service only	FREE

(1) Door-to-door service on demand, in wheelchair lift-equipped paratransit mini-buses, for eligible disabled riders holding an "ADA" card. ADA Trips are defined as trips originating 3/4 of a mile or less from an existing fixed-route bus line that is in operation within the time of day and day of the week. All other trips are considered a Non-ADA Trip.

(2) Shuttle-type service available in the Easton and Linden areas during weekdays only

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

(4) Additional $0.50 required for express service

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

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

(7) Photo identification card, for eligible disabled riders

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

CENTRAL OHIO TRANSIT AUTHORITY
Demographic Statistics
Last Ten Fiscal Years

YEAR	POPULATION (1)		PER CAPITA INCOME (3)	MEDIAN AGE (4)		K - 12 SCHOOL ENROLLMENT (6)	UNEMPLOYMENT RATE (7)
1996	1,042,011		$25,959	33.0	(5)	181,386	2.9%
1997	1,056,654		$26,647	33.0	(5)	183,351	2.7%
1998	1,067,002		$29,425	32.9	(5)	188,704	2.5%
1999	1,079,204		$30,214	32.9		190,857	2.5%
2000	1,068,978	(2)	$31,908	32.5		192,794	2.4%
2001	1,071,524		$32,361	*		197,731	2.8%
2002	1,086,814	(2)	$32,947	*		197,300	4.4%
2003	1,088,944	(2)	$34,471	*		197,914	4.9%
2004	1,088,971	(2)	*	*		207,485	5.4%
2005	1,112,880	(2)	*	*		205,660	5.3%

Note: All information presented is for Franklin County

* Information not available

Sources:

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

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

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

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

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

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

(7) Ohio Department of Job and Family Services

CENTRAL OHIO TRANSIT AUTHORITY
Miscellaneous Statistics
As of, or for, the Year ended December 31, 2005

Date of creation of Authority by local county and municipal governments	February 17, 1971
Date of acquisition of assets of Columbus Transit Company (C.T.C.)	June 29, 1973
Date of commencement of Authority operations	January 1, 1974
Form of government	Board of Trustees, with fulltime President/CEO
Number of Trustees	13
County in which Authority operates	Franklin County and small portions of adjacent Delaware, Fairfield and Licking Counties, Ohio
Type of tax support	Service Area Sales Tax - 1/4% (permanent)
Size of Authority	556 square miles
Miles of route	936.8
Number of routes	58
Number of bus stop locations	4,394
Number of bus stop passenger shelters	377
Number of Park-and-Ride facilities	26
Parking capacity, all Park-and-Ride facilities	2,166 automobiles
Number of active fleet buses	274
Average bus vehicle age	6.55 years
Average fixed-route system speed	14.14 miles per hour
Average fixed-route system fuel economy	4.32 miles per gallon
Number of customer information calls received	900,684

Central Ohio Transit Authority
Columbus, Ohio

Administrative Offices & Bus Facility
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Columbus, Ohio 43222
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www.cota.com

Auditor of State
Betty Montgomery

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P.O. Box 1140
Columbus, Ohio 43216-1140
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800-282-0370
Facsimile 614-466-4490

CENTRAL OHIO TRANSIT AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 22, 2006