

**SOUTHWEST OHIO REGIONAL  
TRANSIT AUTHORITY**

Reports Issued Pursuant to the OMB Circular A-133  
for the Year Ended December 31, 2008





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Southwest Ohio Regional Transit Authority  
602 Main Street # 11  
Cincinnati, Ohio 45202-1116

We have reviewed the *Independent Auditor's Report* of the Southwest Ohio Regional Transit Authority, Hamilton County, prepared by Clifton Gunderson LLP, for the audit period January 1, 2008 through December 31, 2008. 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 Southwest Ohio Regional Transit Authority is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

June 22, 2009

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**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

We have audited the basic financial statements of Southwest Ohio Regional Transit Authority (the Authority) as of and for the years ended December 31, 2008, and have issued our report thereon dated June 16, 2009. 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 audits, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **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 9, 2009.

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

*Clifton Henderson LLP*

Toledo, Ohio  
June 16, 2009





**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

**Compliance**

We have audited the compliance of Southwest Ohio Regional 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 each of its major federal programs for the year ended December 31, 2008. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 each of its major federal programs for the year ended December 31, 2008.

**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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the Authority as of and for the year ended December 31, 2008, and have issued our report thereon dated June 16, 2009. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the entity, Board of Trustees, and federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Toledo, Ohio  
June 16, 2009

**Southwest Ohio Regional Transit Authority**

**Supplemental Schedule of Expenditures of Federal Awards  
for the year ended December 31, 2008**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal and Pass-through Grant Number	Grant Expenditures
<b>U.S. Department of Transportation</b>			
Federal Transit Cluster			
Direct Program:			
Federal Transit Administration-Capital and Operating Assistance Formula Grants			
	20.507	OH-90-X176	\$27,981
		OH-90-X203	13,731
		OH-90-X265	9,973
		OH-90-X319	67,020
		OH-90-X343	13,126
		OH-90-X455	209,530
		OH-90-X508	823,253
		OH-90-X521	2,603,409
		OH-90-X584	493,307
		OH-90-X628	9,980,228
		OH-90-X669	<u>2,034,679</u>
<b>Total CFDA #20.507</b>			<u>16,276,237</u>
Direct Program:			
Federal Transit Administration-Capital Improvements Grant			
	20.500		
		OH-03-0276	33,360
		OH-03-0292	670,562
		OH-03-0295	87,389
		OH-04-0012	714,403
		OH-04-0026	<u>727,655</u>
<b>Total CFDA #20.500</b>			<u>2,233,369</u>
Direct Program:			
Federal Transit Administration-Job Access- Reserve Commute			
	20.516	OH-37-4050	<u>163,295</u>
Direct Program:			
Federal Transit Administration-Clean Fuels			
	20.519	OH-58-001	<u>267,632</u>
<b>Total-U.S. Department of Transportation-Federal Transit Cluster</b>			<u>18,940,533</u>
<b>U.S. Department of Homeland Security</b>			
Passed-through the Ohio Department of Public Safety-Emergency Management Agency			
	97.075	DPSF E101	<u>364,342</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$19,304,875</u>

*See note to the Supplemental Schedule of Expenditures of Federal Awards*

**Southwest Ohio Regional Transit Authority**

**Note to the Supplemental Schedule of Expenditures of Federal Awards  
for the year ended December 31, 2008**

**1. Basis of Presentation**

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Southwest Ohio Regional Transit Authority (the "Authority") under programs financed by the U.S. government for the year ended December 31, 2008. The Schedule has been prepared in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from non-federal organizations made under federally sponsored programs conducted by those organizations.

**Southwest Ohio Regional Transit Authority**

**Schedule of Findings and Questioned Costs  
for the year ended December 31, 2008**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None reported
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	None reported

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	None reported
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? None reported

Identification of major programs:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

20.500 and 20.507

Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$579,146

Auditee qualified as low-risk auditee? Yes

**Section II - Financial Statement Findings**

None

**Section III - Federal Award findings and Questioned Costs**

None

**Southwest Ohio Regional Transit Authority**

**Status of Prior Year Comments on Internal Control and Legal Compliance  
for the year ended December 31, 2008**

There were no comments on internal control and legal compliance included in the prior year reports.

Southwest Ohio Regional Transit Authority  
Hamilton County, Ohio

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2008

Melody Sawyer Richardson  
Chair  
Board of Trustees

Marilyn G. Shazor  
CEO  
Metro Operating Division

Prepared by:  
Department of Accounting and Budget





Southwest Ohio Regional Transit Authority

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2008

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# SORTA

Southwest Ohio Regional Transit Authority

602 Main Street, Suite 1100  
Cincinnati, Ohio 45202-2549  
(513) 632-9220

## Trustees

Melody Sawyer Richardson  
**Chair**

William L. Mallory Sr.  
**Vice Chairperson**

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H. Theodore Bergh  
**Secretary-Treasurer**

*Recipient of the  
Ohio Auditor of State's  
"Making Your Tax Dollars  
Count Award"*



## SORTA's Mission

To provide cost-effective, efficient, quality mass transit services within available resources to enable people to access their chosen activities in our community



Metro and Access are non-profit public services of Southwest Ohio Regional Transit Authority (SORTA).

June 2009

Board of Trustees of the Southwest Ohio Regional Transit Authority and Residents of Hamilton County, Ohio:

The Comprehensive Annual Financial Report (CAFR) of the Southwest Ohio Regional Transit Authority (SORTA or Metro) for the fiscal year ended December 31, 2008, is hereby respectfully submitted. This CAFR was prepared by the Accounting and Budget Department and represents SORTA's commitment to provide accurate, concise and high-quality financial information to its Board of Trustees, interested parties and residents in its service area.

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

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SORTA for its comprehensive annual financial reports for the fiscal year ended December 31, 2007 and for each of the previous 16 years. The Certificate of Achievement is a prestigious national award recognizing conformance to the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily-readable and efficiently-organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the program requirements, and we are submitting it to GFOA.

This CAFR is divided into the following three sections:

- **Introductory Section** contains this letter of transmittal, a list of the members of the Board of Trustees and Administration, and a Table of Organization.
- **Financial Section** includes the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements (with related footnotes) for the years ended December 31, 2008 and 2007, and the supplemental schedule of revenues, expenses, and changes in net assets—budget and actual for the year ended December 31, 2008.
- **Statistical Section** provides financial, economic, and demographic information which is useful for indicating trends for comparative fiscal periods.

## REPORTING ENTITY

### General

SORTA, as a financial reporting entity, is defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 “The Financial Reporting Entity”, and GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units (an amendment of GASB Statement No. 14).” Accordingly, the financial statements contained within this comprehensive annual financial report include only the accounts and transactions of SORTA. A complete discussion of SORTA as a financial reporting entity is included in Note 1 to the financial statements.

SORTA was created under Chapter 306 of the Ohio Revised Code by a resolution of the Hamilton County Board of Commissioners adopted on October 2, 1968. SORTA’s service area is comprised of 218 square miles in Hamilton County, 7 square miles in Clermont County, 17 square miles in Warren County and 10 square miles in Butler County. This service area encompasses 12 townships, 13 villages and 22 cities, including the City of Cincinnati.

### Commencement of Operations and Funding

Voters approved a City of Cincinnati income tax increase for transit in November 1972, which permitted the City’s purchase of the privately-owned Cincinnati Transit Inc. bus system. On February 8, 1973, an agreement (the City/SORTA agreement) was executed providing terms for the operation of the transit system and delineating the obligations of SORTA and the City of Cincinnati. SORTA’s operation of the service commenced August 15, 1973.

SORTA receives operating and capital assistance from the U.S. Department of Transportation under the Urban Mass Transportation Act of 1964 (the Act), as amended. Among other requirements of the Act, state and local governments must provide a proportionate share of funds and/or support (as defined by the Federal Transit Administration guidelines) for operating and capital assistance. In this regard, under the terms of the City/SORTA agreement, the City provides operating and capital assistance to SORTA from revenues derived from the income tax designated for transit operations. Operating assistance provided represents SORTA’s net loss before such assistance, excluding depreciation and losses on the disposal of assets purchased with capital grants.

### Facilities

SORTA’s six facilities are located at:

- **602 Main Street, Suite 1100**, a leased facility in downtown Cincinnati, houses Metro’s administrative offices, along with the office of SORTA staff and Board of Trustees.
- **120 East Fourth Street**, a leased facility in downtown Cincinnati, operated jointly with the Transit Authority of Northern Kentucky (TANK) and provides customer services, bus rider information, and sales services.
- **Bond Hill Operating Division**, 4700 Paddock Road, provides indoor storage for up to 145 buses and light maintenance work areas.

- **Queensgate Operating Division and Maintenance Support Facility**, 1401 Bank Street, provides indoor storage for up to 280 buses. Both heavy and light maintenance is performed at this location. The radio control room is also housed at this facility.
- **Silverton Assessment and Training Center**, 7000 Montgomery Road. This facility is for assessment and training for people with disabilities.
- **Paratransit Operating Facility**, 1801 Transpark Drive. This is the site from which our specialized transportation service for customers who are unable to use fixed route service operates. This is a purchased transportation service.

## Services

SORTA, through its Metro operating division, provides fixed-route service in Hamilton County, Ohio. Some fixed-route service is also provided in adjacent Butler County, Clermont County and Warren County. SORTA's Access operating division provides demand-response services in Hamilton County for persons with disabilities. A detailed discussion of SORTA's services is listed below:

- 59 Metro fixed bus routes, many of which are multi-branch, provide 83 local or express services: 30 local services operating seven days a week; 39 local services operating Monday through Saturday; 47 local services operating on weekdays; and 36 commuter express services, operating primarily during weekday rush hours.
- Metro's fixed route hours are: weekdays, from 4:08 a.m. to 1:53 a.m. the next day; Saturdays, 4:41 a.m. to 1:45 a.m. the next day; and Sundays and holidays, 5:06 a.m. to 1:44 a.m. the next day.
- SORTA estimates that it will provide approximately 883,000 hours of Metro fixed-route bus service in 2009, which will yield approximately 12.2 million vehicle miles of operation, including nonrevenue miles. In 2008, Metro provided 913,000 hours of fixed route service, yielding 12.6 million vehicle miles of operation, including nonrevenue miles, and 25.8 million rides.
- Based on a review of 2000 Census data, it is estimated that 80% of the residents of the service area live within three-quarters of a mile of Metro fixed-route bus services.
- Access, a demand-responsive, shared-ride service for persons with disabilities, is managed and operated by a private contractor which uses SORTA's fleet of 44 lift-equipped vehicles and 7 ambulatory vehicles. SORTA's Director of Accessible Services provides oversight for this service. SORTA projects that in 2009 it will provide approximately 240,510 passenger trips and approximately 2.3 million vehicle miles of Access service. In 2008, Access provided 238,000 passenger trips and 2.2 million vehicle miles.

## Management, Board of Trustees

SORTA is managed by a Board of Trustees (the "Board") which is vested by Ohio law with the powers necessary to manage SORTA. During 2008, the legislation and agreements establishing SORTA provided for a nine-member Board serving overlapping three-year terms. All board members were appointed by the Hamilton County Board of Commissioners and four members were recommended by the Mayor of the City of Cincinnati with the advice and consent of City Council.

In December 2008, the Hamilton County Board of Commissioners and the SORTA Board of Trustees adopted an amendment to the resolution that created SORTA in 1968. Effective January 30, 2009, the SORTA Board of Trustees was reorganized and the number of Trustees increased to 13. The reorganized Board of Trustees comprises four Charter Members representing the counties of Hamilton, Butler, Warren and Clermont, and nine At-Large Members allotted by jurisdiction based upon the jurisdiction's funding contribution to the operation of SORTA. Currently, seven of the At-Large Members are appointed by the City of Cincinnati, and the remaining two At-Large Members are appointed by Hamilton County. The amended resolution also authorizes SORTA to evolve into a multi-state regional transit commission in the future and possibly expand the number of Trustees to 17.

## Administration

The administration of SORTA, subject to the policies and supervision of its Board of Trustees, is directed by a general manager/CEO. SORTA contracts with Professional Transit Management for the general manager/CEO. The senior staff is selected by the general manager/CEO. A Table of Organization which depicts the key functional responsibilities is shown on page 11 of this Introductory Section.

## ECONOMIC CONDITION AND OUTLOOK

### General

Hamilton County (SORTA's primary service area) is situated in the southwest corner of Ohio. The county seat is the City of Cincinnati, which is located on the southern boundary of the state on the Ohio River. The Cincinnati Metropolitan Statistical Area (MSA) consists of 13 counties: Brown, Butler, Clermont, Hamilton and Warren in Ohio; Boone, Campbell, Gallatin, Grant, Kenton and Pendleton in Kentucky; and Dearborn and Ohio in Indiana. The MSA population estimate for 2007 was 2,133,678. Hamilton County's population of 842,369 comprises almost 40 percent of the 13-county total.

For the most part, the local economy in Hamilton County has proven to be fairly resilient over the years. A number of factors contribute to this success:

- **Access.** Cincinnati offers unrivaled access to the rest of the world. The Cincinnati/Northern Kentucky International Airport (CVG) has been ranked #1 in the U.S. and #10 in the world by International Air Transport Association offering many daily non-stop flights to cities around the globe. In addition, I-75, I-71 and I-74 link the Cincinnati region to the rest of the continental United States, putting 20 major metro markets within 400 miles and 30 major metro markets within 600 miles of ground transportation. Four major railroad systems serve the Cincinnati region: Amtrak, CSX, Conrail and Norfolk Southern. For river transportation, Port Cincinnati is the fifth largest inland port. 52.3 million tons pass annually through Cincinnati USA on the Ohio River and its milder climate means the river doesn't freeze, offering a year-round mode of transport.
- **Diversity.** Small businesses prosper alongside major corporations in an economy that is increasingly high-tech and global in scope. While not immune to the current economic recession, this economic diversity has helped the region weather downturns that have been devastating to other cities, particularly those in the Midwest that rely on heavy manufacturing. Here in Greater Cincinnati, business has developed along the lines of "clusters," or different business sectors that have a high amount of representation. These clusters are: aerospace, automotive, brand design and creative services, biotechnology, chemistry, IT services, financial services and consumer goods.

In addition, nine Fortune 500 companies are headquartered in Greater Cincinnati: AK Steel, Ashland Inc., Chiquita Brands International, Fifth Third Bancorp, The Kroger Co., Macy's Inc., Omnicare, Procter & Gamble Co. and Western & Southern Financial.

- **Housing.** Local conditions reflect the current downturn of the national market with Ohio, at one point, leading the nation in foreclosures. Locally, while housing inventory remains somewhat high, low interest rates combined with a low cost of living and continued availability of land have sheltered Greater Cincinnati from the national homebuilding and real estate crisis better than many other markets of similar size. Strong activity in downtown residential development continues to drive the market, and many new projects are in development.

One negative must be noted: Hamilton County is ranked eighth among the nation's counties in population decline during the 1990s, with a loss of 20,925 people over the past decade. On the bright side, many of these people migrated to the northern suburbs and still work and spend in Hamilton County.

Unemployment in Hamilton County, which had stayed below the nation for many years, is now more in line with the national average. The Cincinnati area unemployment rate for 2008 was 5.6 percent, compared with a national average of 5.8 percent. Consistent with the national economic downturn, however, the regional unemployment rate in the first quarter 2009 increased significantly to more than 8.0 percent; although predictions by the Economic Advisory Committee of the Greater Cincinnati Chamber of Commerce call for that rate to improve by the end of 2009, ending the year at a rate of 7.6 percent.

## Population

Population in SORTA's principal service area since 1960 has been as follows:

<u>Year</u>	<u>Cincinnati</u>	<u>Hamilton County</u>
1960	502,550	864,121
1970	452,524	924,018
1980	385,497	873,224
1990	364,040	867,881
2000	331,285	845,303

Source: U.S. Bureau of the Census

Recent population changes in Hamilton County do not appear to have had a substantial effect on SORTA's ridership. SORTA's motor bus ridership has been averaging between 23 million and 26 million rides per year over the past 10 years. However, the national recession that first began to impact the Cincinnati area in the fourth quarter of 2008, is expected to negatively impact ridership in 2009.

## Employment

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

**Average Unemployment Rates**

<u>Year</u>	<u>Hamilton County</u>	<u>Ohio</u>	<u>U.S.</u>
2004	5.5%	6.1%	5.5%
2005	5.4%	5.9%	5.1%
2006	5.0%	5.4%	4.6%
2007	5.0%	5.6%	4.6%
2008	5.6%	6.5%	5.8%

Source: U.S. Department of Labor, Bureau of Labor Statistics

**Housing and Building Permits**

According to the most recent U.S. Bureau of Census figures, the median value in 2000 of owner-occupied homes in Hamilton County was \$111,400, compared with \$103,700 for housing in Ohio and \$119,600 in the United States. Between 1970 and 2000, the number of housing units in Hamilton County increased 20% from 311,289 to 373,393.

**MAJOR INITIATIVES**

**Recent Developments**

Highlights from Metro’s operations in 2008 include the following:

- Provided 25.8 million passenger trips on Metro fixed route service.
- Provided 238,000 passenger trips on Access paratransit service.
- Received approval from the Ohio Department of Transportation for the permanent use of the shoulder on I-71, using the left shoulder north and southbound when traffic conditions permit.
- Moved Metro’s administrative offices to newly remodeled, lower cost space at 602 Main Street in downtown Cincinnati.
- Received the Innovation Award from the American Public Transportation Association for its Everybody Rides Metro Foundation.

**Future Projects**

Initiatives planned or undertaken in 2009 include:

- Launching the first hybrid bus service in Cincinnati with the delivery of six New Flyer 40-foot diesel/electric hybrid buses.
- Taking delivery of the first articulated buses in Cincinnati.
- Receiving \$17.5 million in stimulus funding from the Federal government to purchase a new radio system, new buses and provide additional funding for preventative maintenance efforts on our fleet.
- Enacting service adjustments totaling 6 percent of service to improve efficiency and reduce costs.



## **FINANCIAL INFORMATION**

### **Internal Control Structure**

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

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

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

### **Basis of Accounting**

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

### **Budgetary Controls**

The annual accrual-basis operating budget and capital budget are proposed by SORTA's management and adopted by the Board of Trustees in a public meeting. The annual budget is prepared using overall guidelines established after consideration of SORTA's long-range financial plan. All capital and operating items exceeding \$100,000 receive Board approval prior to purchase. The long-range plan, updated annually, projects revenue sources over the next five years and establishes service levels and growth commensurate with such revenue limits.

SORTA maintains budgetary control by not permitting total operating expenses and expenditures for individual capital projects to exceed their appropriations without approval by the Board of Trustees. Management ensures that expenses and capital expenditures stay within the total appropriation. On a monthly basis, the Board reviews budget variations. 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 Operating Results**

Please refer to Management's Discussion and Analysis in the Financial Section for discussion on Financial Operating Results.

## **OTHER INFORMATION**

### **Independent Audit**

SORTA's independent auditor, Clifton Gunderson LLP, has rendered an unqualified audit report on SORTA'S financial statements for the fiscal year ended December 31, 2008.

SORTA also participates in the Federal single audit program, which consists of a single audit of all Federally-funded programs administered by SORTA. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including SORTA. The single audit performed by Clifton Gunderson LLP met the requirements set forth by the State of Ohio and the Federal Single Audit Act of 1984 (as amended) and related OMB Circular A-133. The single audit report for the fiscal year ended December 31, 2008 contained no findings.

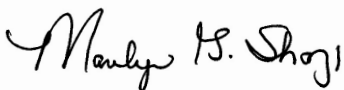
### **Certificate of Achievement Program**

It is the intention of SORTA's management to submit this and future CAFR's for review under the GFOA's "Certificate of Achievement for Excellence in Financial Reporting" program. Management believes the current report continues to meet the program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

The publication of this report is a reflection of the excellence and professionalism of SORTA's Accounting and Budget Department. It illustrates the extent of SORTA's accountability to its taxpayers and creditors.

This report would not be possible without the determination and high standards of the entire staff of the Accounting and Budget Department. Special thanks are extended to the Communications Department staff for their assistance. SORTA wishes to thank all who contributed to this project.



Marilyn G. Shazor  
CEO



H. Theodore Bergh  
Secretary/Treasurer & CFO

Southwest Ohio Regional Transit Authority

**Board of Trustees and Administration as of December 31, 2008**

**Members of the Board of Trustees**

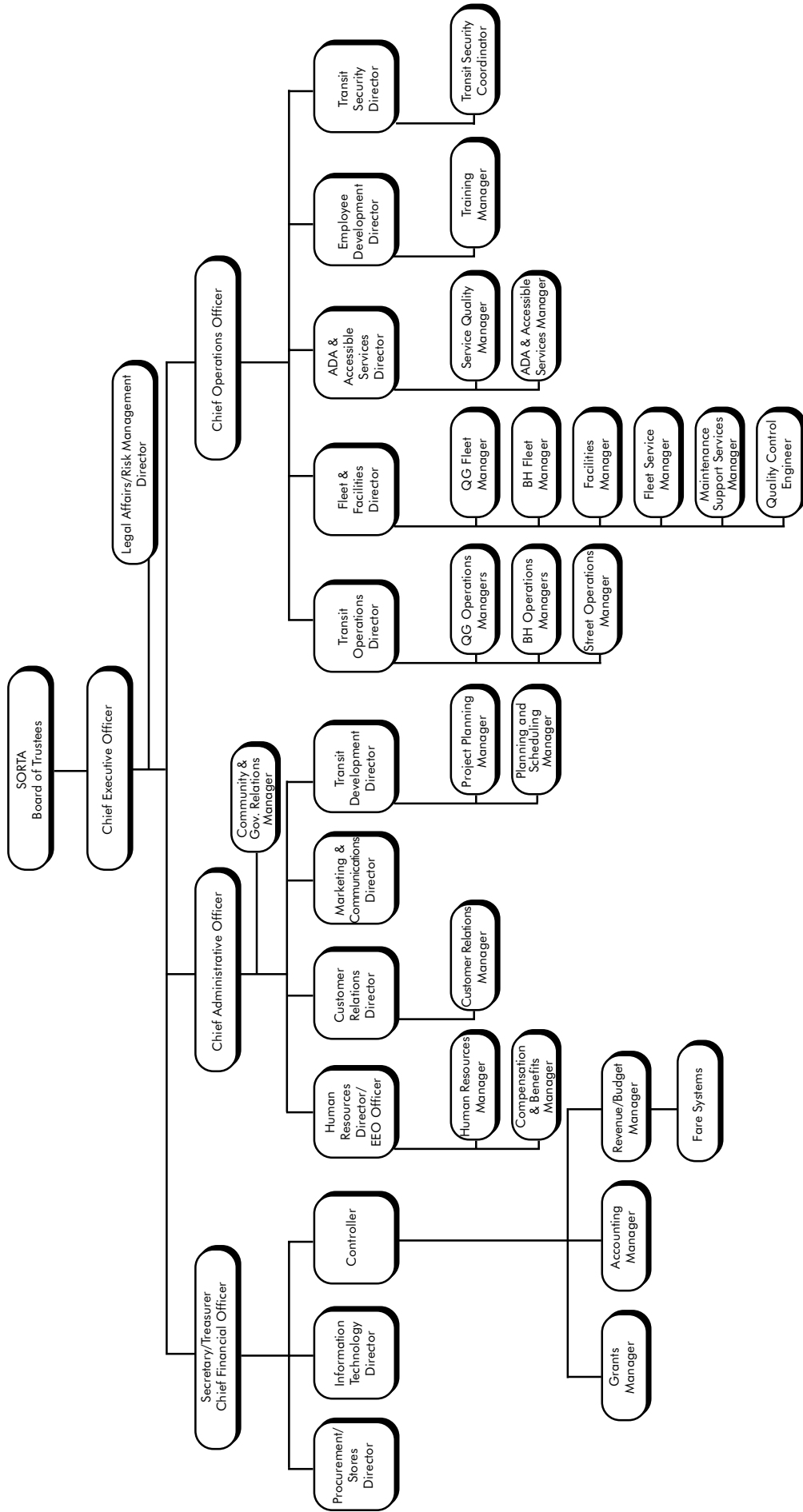
Melody Sawyer Richardson, Chair  
Robert W. Buechner  
Minette Cooper  
Margaret C. Gutsell  
Stephan M. Louis  
William L. Mallory Sr.  
Sean Rugless  
James R. Tarbell  
Lamont Taylor

**Administration**

Marilyn G. Shazor, chief executive officer (CEO)  
Mary B. Moning, chief operations officer (COO)  
H. Theodore Bergh, chief financial officer (CFO) & secretary/treasurer  
Sallie L. Hilvers, chief administrative officer (CAO)

Stephen M. Ackman, director, Human Resources  
Lisa M. Aulick, acting director, ADA & Accessible Services  
William Desmond, director and counsel, Legal Affairs/Risk Management  
David A. Etienne, director, Marketing and Communications  
J. Darryl Haley, director, Customer Relations  
Timothy Harrington, director, Information Technology  
Michael P. Restle, Controller  
Timothy J. Reynolds, director, Transit Development  
Jerry Roetting, director, Procurement  
William R. Spraul, director, Transit Operations  
Michael Weil, director, Transit Security

Southwest Ohio Regional Transit Authority  
**Table of Organization**  
**December 31, 2008**



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Southwest Ohio Regional Transit Authority

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2007

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





## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
 Southwest Ohio Regional Transit Authority  
 Cincinnati, Ohio

We have audited the accompanying balance sheets of the Southwest Ohio Regional Transit Authority (the "Authority") as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement 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 audit 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, the financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 9, 2009 on our consideration of 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 audits.

Management's Discussion and Analysis on pages 14 – 18 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, supplemental schedule of revenues, expenses, and changes in net assets – budget and actual (GAAP basis) for the year ended December 31, 2008, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedule of revenues, expenses, and changes in net assets – budget and actual (GAAP basis) for the year ended December 31, 2008 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Henderson LLP*

Toledo, Ohio  
June 16, 2009



Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis

The financial management of the Southwest Ohio Regional Transit Authority (the "Authority") is pleased to present readers of these financial statements with the following narrative overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2008. This discussion and analysis is designed to assist the reader in focusing on material financial issues and activities and to identify material changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### Financial Highlights

- Operating revenue for the year was \$24.0 million, which is \$4.3 million, or 22.0%, more than last year due primarily to a 50-cent increase in base fare.
- The Authority's operating expenses, excluding depreciation and before the grant pass through, were \$90.5 million, which is an increase of \$4.9 million, or 5.7%, due to wage increases, higher fuel costs and increased usage of revenue vehicle parts.
- Revenue from federal maintenance grants decreased by \$1.2 million to \$12.0 million in 2008 due to increased capital needs, which necessitated an increase in the amount of federal grant funding allocated to capital expenditures.
- Capital assets increased by \$9.8 million in 2008, due primarily to the purchase of 21 new 40-foot, low-floor "clean diesel" buses, and nine new paratransit vehicles.

### Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which includes the basic financial statements and the notes to the financial statements. This report contains supplementary information concerning the Authority's net assets and changes in net assets in addition to the basic financial statements themselves.

### Required Financial Statements

The financial statements of the Authority are designed to provide readers with a broad overview of the Authority's finances in a manner similar to private-sector business.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Net assets increase when revenues exceed expenses. An increase in assets without a corresponding increase in liabilities results in increased net assets, which is one indicator of improved financial position.

The statement of revenues, expenses, and changes in net assets presents information about how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the event occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing

## Southwest Ohio Regional Transit Authority

**Management's Discussion and Analysis (continued)**

activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Notes to the Financial Statements**

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

**Financial Analysis of the Authority**

One of the most important questions asked about the Authority's finances is "Is the Authority as a whole better off or worse off as a result of this year's activities?". The balance sheet and the statement of revenues, expenses and changes in net assets report information about the Authority's activities in a way that will help to answer this question. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population decline or growth, and new or changed governmental legislation.

**Condensed Balance Sheets****December 31, 2008, 2007, and 2006 (In Thousands)**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Current assets	\$37,213	\$35,035	\$36,015
Non-current assets	11,725	9,168	6,286
Capital assets-net	70,529	71,561	80,559
<b>Total assets</b>	<u>\$119,467</u>	<u>\$115,764</u>	<u>\$122,860</u>
Current liabilities	\$24,136	\$21,541	\$22,992
Non-current liabilities	24,537	22,360	18,962
<b>Total liabilities</b>	<u>48,673</u>	<u>43,901</u>	<u>41,954</u>
Net assets:			
Invested in capital assets, net of related debt	60,529	61,561	70,559
Restricted	4,394	497	1,300
Unrestricted	5,871	9,805	9,047
<b>Total net assets</b>	<u>70,794</u>	<u>71,863</u>	<u>80,906</u>
<b>Total liabilities and net assets</b>	<u>\$119,467</u>	<u>\$115,764</u>	<u>\$122,860</u>

The Authority's total net assets decreased by \$1.1 million from 2007 to 2008, as depreciation expense exceeded capital additions for the year. In 2007, net assets decreased by \$9.0 million as there were significantly fewer capital asset purchases; thus depreciation and amortization expense exceeded capital additions by an even greater amount.

Southwest Ohio Regional Transit Authority

**Management's Discussion and Analysis (continued)**

By far the largest portion of the Authority's net assets is its investment in capital assets (e.g., diesel and paratransit buses and operating facilities) less the outstanding balance of any debt used to acquire those assets. The Authority uses these capital assets to provide public transportation service for Hamilton County and small portions of Warren, Clermont and Butler Counties. These assets are not available to liquidate liabilities or for other spending. Included in current assets is \$10.0 million in US Treasury bonds that we plan to use to satisfy a \$10.0 million capital lease obligation that is included in non-current liabilities (see Note 7 to the financial statements).

**Statement of Changes in Net Assets**  
**December 31, 2008, 2007, and 2006 (In Thousands)**

	2008	2007	2006
<b>Operating revenues:</b>			
Passenger fares for transit service	\$22,964	\$18,560	\$18,664
Special transit fares	474	550	700
Auxiliary transportation revenue	538	547	464
Total	<u>23,976</u>	<u>19,657</u>	<u>19,828</u>
<b>Operating expenses other than depreciation:</b>			
Labor	40,717	38,491	37,245
Fringe benefits	19,938	19,328	18,352
Materials and supplies consumed	15,618	14,261	12,863
Services	3,766	3,039	3,053
Utilities	1,916	1,872	1,637
Casualty and liability	486	500	459
Taxes	1,027	1,053	1,059
Purchased transportation services	5,977	6,182	6,106
Leases and rentals	534	484	491
Miscellaneous	526	387	636
Total	<u>90,505</u>	<u>85,597</u>	<u>81,901</u>
Depreciation and amortization expense	11,281	12,051	11,489
Operating loss before grant pass through	<u>(77,810)</u>	<u>(77,991)</u>	<u>(73,562)</u>
Grant pass through-Cincinnati Zoo Transit Hub	728	0	0
Grant pass through-Everybody Rides Metro Foundation	98	0	0
Grant pass through-Anderson Township Park & Ride	0	0	350
<b>Operating loss</b>	<u>(78,636)</u>	<u>(77,991)</u>	<u>(73,912)</u>
<b>Net non-operating revenues (expenses):</b>			
Transit Fund assistance	43,036	41,304	40,491
Federal maintenance grants and reimbursements	11,971	13,179	11,216
State, ADA, special fare assistance and fuel tax reimbursements	2,050	2,172	2,297
Investment income	1,153	1,611	1,580

## Southwest Ohio Regional Transit Authority

**Management's Discussion and Analysis (continued)**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net (decrease) increase in fair value of investments	309	412	(79)
Non-transportation revenue	627	667	705
Local operating grants and special fare assistance	<u>7,383</u>	<u>6,595</u>	<u>5,863</u>
<b>Non-operating revenues and expenses, net before grant pass through</b>	<b>66,529</b>	<b>65,940</b>	<b>62,073</b>
Federal grant-pass through-Cincinnati Zoo Transit Hub	728	0	0
Federal grant-pass through-Everybody Rides Metro Foundation	98	0	0
Federal grant-pass through- Anderson Park & Ride	<u>0</u>	<u>0</u>	<u>350</u>
Total	<u>67,355</u>	<u>65,940</u>	<u>62,423</u>
Net loss before capital grant activity	(11,281)	(12,051)	(11,489)
Capital Contributions	10,212	3,008	17,741
Change in net assets	<u>(1,069)</u>	<u>(9,043)</u>	<u>6,252</u>
Net assets, beginning of year	<u>71,863</u>	<u>80,906</u>	<u>74,654</u>
Net assets, end of year	<u><u>\$70,794</u></u>	<u><u>\$71,863</u></u>	<u><u>\$80,906</u></u>

The Authority's operating revenues were \$24.0 million in 2008, which represents an increase of \$4.3 million, or 22.0% over 2007. This increase is due primarily to a 50% increase in the base passenger fare for transit service, from \$1.00 to \$1.50, implemented in February.

The Authority's operating revenues were \$19.7 million in 2007, which is a \$0.1 million decrease from 2006 due to lower revenue from special transit fares. In 2006 special transit fares were unusually high due to the Tall Stacks event which occurs only once every four years.

The Authority's operating expenses other than depreciation were \$90.5 million in 2008, which is an increase of \$4.9 million, or 5.7%, over 2007. The largest component of this increase is a \$2.8 million, or 4.9%, increase in wages and benefits, driven primarily by contractual increases negotiated with union employees, as well as increased overtime and training costs among those employees due to open positions during the year. Additionally, diesel fuel was \$0.6 million, or 7.3%, higher in 2008 than in 2007 due to higher fuel prices, the full effect of which was mitigated by \$1.6 million in gains generated by the Authority's hedging program (see Note 13 to the financial statements). Revenue vehicle parts expense was \$0.5 million, or 9.1%, higher than in 2007 due to higher prices and increased usage necessary to maintain an older fleet; and services expense was \$0.7 million, or 23.9%, higher than in 2007 due to extensive repairs to a bus involved in a serious accident during the year, higher legal fees from an increase in labor arbitrations and the use of lobbying and government relations resources to help ensure the Authority is well-positioned to maximize its funding from all available federal, state and local sources.

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis (concluded)

The Authority's operating expenses other than depreciation were \$85.6 million in 2007, which is a \$3.7 million, or 4.5%, increase over 2006. This increase was due to higher fuel costs, increased usage of revenue vehicle parts, higher health care costs, and wage increases.

Non-operating revenues were \$66.5 million in 2008, which is an increase of \$0.6 million, or 0.9% over 2007. This increase is due primarily to a \$1.7 million increase in revenue received from the City of Cincinnati Transit Fund and a \$0.8 million increase in subsidy assistance received from the Cincinnati Public School District. These increases were offset by a \$1.2 million decrease in federal maintenance grants and reimbursements, as more federal dollars were allocated to capital replacement needs in 2008 than in 2007, and a \$0.6 million decrease in investment income and the fair value of investments, due to lower interest rates in 2008. Additionally, the Authority received \$0.7 in federal funding that was passed through to the Cincinnati Zoo and Botanical Gardens for construction of a new Transit Hub at the Zoo, as well as \$0.1 million in federal funding that was passed through to the Everybody Rides Metro Foundation for the provision of transportation vouchers to low income riders for access to jobs and job-related activities.

Non-operating revenues were \$65.9 million in 2007, which is an increase of \$3.8 million over 2006. This increase is due primarily to a \$2.0 million increase in federal maintenance grants and reimbursements, a \$0.8 million increase in subsidy assistance received from Cincinnati Public Schools and other local governments (included as other non-operating revenues), a \$0.8 million increase in assistance received from the City of Cincinnati Income Tax Transit Fund, and a \$0.5 million increase in the fair value of the Authority's investments.

### Capital Asset and Debt Administration

**Capital Assets:** The Authority's investment in capital assets amounts to \$70.5 million, net of accumulated depreciation as of December 31, 2008, which is a decrease of \$1.0 million, or 1.4%, compared to 2007. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital asset expenditures during 2008 include the following:

- 21 new 40-foot, low-floor, "clean diesel" buses at a cost of \$7.0 million, replacing existing buses that were aged beyond their 12-year useful life;
- 9 new paratransit vehicles totaling \$0.7 million;
- Telephone equipment upgrades at a cost of \$0.3 million;
- 8 new bus lifts at our Bond Hill operating garage at a cost of \$0.3 million, replacing existing lifts that had reached the end of their useful life;
- Structural repairs to a bridge on the Oasis Line rail right of way, totaling \$0.2 million.

See Note 5 to the financial statements for more detailed information regarding capital assets.

**Long-term Debt:** The Authority has outstanding leases on 38 Gillig buses in the amount of \$10.0 million which mature in 2011. See Note 7 to the financial statements for more detailed information regarding capital leases.

## Southwest Ohio Regional Transit Authority

**Balance Sheets**  
**as of December 31, 2008 and 2007**

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$11,011,984	\$5,898,312
Investments (Note 4)	14,299,296	21,576,533
Receivables:		
Federal assistance	4,551,163	3,850,580
State assistance	662,924	644,761
Other	1,379,597	1,238,169
Receivables for capital assistance-restricted	3,455,867	166,750
Inventory of materials and supplies	1,589,956	1,443,285
Prepaid expenses and other current assets	262,184	217,107
<b>Total current assets</b>	<u>37,212,971</u>	<u>35,035,497</u>
<b>Non-current assets:</b>		
Cash and cash equivalents-restricted (Note 4)	11,725,375	9,168,062
Capital assets (Notes 5 and 7):		
Land and buildings	14,669,474	14,669,474
Improvements	25,571,424	25,399,978
Revenue vehicles	114,218,817	106,288,526
Other equipment	29,704,928	28,040,959
Total capital assets	<u>184,164,643</u>	<u>174,398,937</u>
Less allowance for depreciation and amortization	<u>113,636,188</u>	<u>102,838,015</u>
Capital assets-net	<u>70,528,455</u>	<u>71,560,922</u>
<b>Total non-current assets</b>	<u>82,253,830</u>	<u>80,728,984</u>
<b>Total assets</b>	<u>\$119,466,801</u>	<u>\$115,764,481</u>

(continued)

*The notes to the financial statements are an integral part of the financial statements.*

Southwest Ohio Regional Transit Authority

**Balance Sheets**  
**as of December 31, 2008 and 2007 (continued)**

<b>LIABILITIES AND NET ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>Current liabilities:</b>		
Accounts payable	\$2,937,737	\$1,661,697
Capital expenditures payable	4,092,409	149,663
Accrued payroll	399,916	1,614,208
Accrued payroll taxes and other benefits (Note 8)	5,323,003	4,066,341
Current portion of estimated claims payable (Note 9)	1,019,000	955,000
Other current liabilities	3,308,459	2,790,891
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3):		
For current operations	—	320,049
For capital purposes	7,055,540	9,983,223
<b>Total current liabilities</b>	<u>24,136,064</u>	<u>21,541,072</u>
<b>Non-current liabilities:</b>		
Deferred capital grants	10,786,844	8,838,220
Estimated claims payable, net of current portion (Note 9)	3,640,954	3,464,594
Capital lease obligation (Note 7)	10,000,000	10,000,000
Deferred rent	66,104	—
Accrued pension cost (Note 8)	42,532	57,684
<b>Total non-current liabilities</b>	<u>24,536,434</u>	<u>22,360,498</u>
<b>Total liabilities</b>	<u>48,672,498</u>	<u>43,901,570</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	60,528,455	61,560,922
Restricted for:		
Capital projects	3,748,202	42,498
Pass-through to sub-recipient	177,270	—
Other purposes	468,926	454,094
Unrestricted	5,871,450	9,805,397
<b>Total net assets</b>	<u>70,794,303</u>	<u>71,862,911</u>
<b>Total liabilities and net assets</b>	<u>\$119,466,801</u>	<u>\$115,764,481</u>

(concluded)

*The notes to the financial statements are an integral part of the financial statements.*

Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Net Assets  
for the years ended December 31, 2008 and 2007**

	2008	2007
<b>Operating revenues</b>		
Passenger fares for transit service	\$22,963,682	\$18,559,763
Special transit fares	474,005	550,462
Auxiliary transportation revenue	<u>537,954</u>	<u>546,844</u>
<b>Total</b>	<u>23,975,641</u>	<u>19,657,069</u>
<b>Operating expenses other than depreciation:</b>		
Labor	40,717,424	38,491,329
Fringe benefits	19,937,641	19,328,349
Materials and supplies consumed	15,618,066	14,261,474
Services	3,765,859	3,038,637
Utilities	1,915,727	1,871,797
Casualty and liability	486,380	500,462
Taxes	1,026,550	1,052,861
Purchased transportation services	5,976,923	6,182,081
Leases and rentals	534,340	483,834
Miscellaneous	<u>526,056</u>	<u>386,700</u>
<b>Total</b>	<u>90,504,966</u>	<u>85,597,524</u>
Grant pass-through—Cincinnati Zoo Transit Hub	727,655	—
Grant pass-through—Everybody Rides Metro Foundation	98,152	—
Depreciation and amortization (Note 5)	<u>11,281,399</u>	<u>12,051,254</u>
Total operating expenses	<u>102,612,172</u>	<u>97,648,778</u>
<b>Operating loss</b>	<u>(78,636,531)</u>	<u>(77,991,709)</u>
<b>Non-operating revenues (expenses):</b>		
Federal maintenance grants and reimbursements (Note 6)	11,970,797	13,178,726
Federal grant pass-through—Cincinnati Zoo Transit Hub (Note 6)	727,655	—
Federal grant pass-through—Everybody Rides Metro Foundation (Note 6)	98,152	—
State maintenance grants, reimbursements and special fare assistance (Note 6)	2,050,445	2,172,258
Local operating grants and special fare assistance (Note 6)	7,382,749	6,595,036
Investment income-net (Notes 4 and 7)	1,153,659	1,611,121
Increase in fair value of investments	308,770	412,203
Non-transportation revenue	<u>627,233</u>	<u>666,877</u>
<b>Total</b>	<u>24,319,460</u>	<u>24,636,221</u>

(continued)



Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Net Assets  
for the years ended December 31, 2008 and 2007 (continued)**

	2008	2007
<b>Loss before operating assistance provided by City of Cincinnati Income Tax-Transit Fund and capital grant activity</b>	\$(54,317,071)	\$(53,355,488)
<b>Operating assistance from the City of Cincinnati Income Tax-Transit Fund (Note 3)</b>	<u>43,035,672</u>	<u>41,304,234</u>
<b>Net loss before capital grant activity</b>	(11,281,399)	(12,051,254)
<b>Capital grant revenue (Note 6)</b>	<u>10,212,791</u>	<u>3,008,165</u>
<b>Increase (decrease) in net assets during the year</b>	(1,068,608)	(9,043,089)
<b>Net assets, beginning of year</b>	<u>71,862,911</u>	<u>80,906,000</u>
<b>Net assets, end of year</b>	<u>\$70,794,303</u>	<u>\$71,862,911</u>

(concluded)

*The notes to the financial statements are an integral part of the financial statements.*

Southwest Ohio Regional Transit Authority

## Statements of Cash Flows for the years ended December 31, 2008 and 2007

	2008	2007
<b>Cash flows from operating activities:</b>		
Receipts from fares and special service	\$24,277,804	\$20,019,104
Payments to suppliers	(26,444,054)	(24,792,465)
Payments for labor and employee benefits	(60,352,850)	(57,193,023)
Payments for claims and insurance	<u>(1,761,052)</u>	<u>(1,460,740)</u>
<b>Net cash used in operating activities</b>	<u>(64,280,152)</u>	<u>(63,427,124)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfer from City of Cincinnati Income Tax-Transit Fund	42,715,623	40,114,547
Federal maintenance grants and reimbursements	12,096,021	13,081,318
State maintenance grants, reimbursements and special fare assistance	2,032,282	2,352,889
Other local operating assistance received	<u>7,382,749</u>	<u>6,595,036</u>
<b>Net cash provided by noncapital financing activities</b>	<u>64,226,675</u>	<u>62,143,790</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital grants received:		
City of Cincinnati Income Tax-Transit Fund	2,669,322	3,699,253
Federal, state and other local	6,586,010	883,925
Additions to capital assets	(10,270,532)	(3,160,810)
Interest paid on capital lease obligation	<u>(418,000)</u>	<u>(418,000)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1,433,200)</u>	<u>1,004,368</u>
<b>Cash flows from investing activities:</b>		
Net cash receipts from investment securities	7,586,007	(4,592,622)
Interest received	<u>1,571,655</u>	<u>2,029,117</u>
<b>Net cash provided by (used in) investing activities</b>	<u>9,157,662</u>	<u>(2,563,505)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	7,670,985	(2,842,471)
<b>Cash and cash equivalents at beginning of year</b>	<u>15,066,374</u>	<u>17,908,845</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$22,737,359</u></u>	<u><u>\$15,066,374</u></u>

(continued)

Southwest Ohio Regional Transit Authority

**Statements of Cash Flows  
for the years ended December 31, 2008 and 2007 (concluded)**

	2008	2007
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$(78,636,531)	\$(77,991,709)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and Amortization	11,281,399	12,051,254
Non-transportation revenue	627,233	666,877
Changes in assets and liabilities:		
Other receivables	(141,428)	251,128
Restricted - receivables for capital assistance	(3,289,117)	66,617
Inventory of materials and supplies	(146,671)	(97,691)
Prepaid expenses and other current assets	(45,077)	(43,486)
Accounts payable	1,276,040	159,585
Capital expenditures payable	3,942,746	(766,869)
Accrued expenses	42,370	761,825
Other liabilities	568,524	1,643,752
Estimated claims payable	<u>240,360</u>	<u>(128,407)</u>
<b>Net cash used in operating activities</b>	<b><u>\$(64,280,152)</u></b>	<b><u>\$(63,427,124)</u></b>

(concluded)

*The notes to the financial statements are an integral part of the financial statements.*

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2008 and 2007**

### **1. Organization and Reporting Entity**

#### **A. Organization**

The Southwest Ohio Regional Transit Authority ("SORTA" or the "Authority") is responsible for the operation of the Greater Cincinnati public transit system. SORTA is organized under Sections 306.30 through 306.53 of the Ohio Revised Code and is not subject to income taxes. SORTA, which is the policy-making body for the transit system known as Metro, operates under an agreement with the City of Cincinnati (the "City") (see Note 3).

#### **B. Reporting Entity**

The Authority has adopted the provisions of Statement No. 14 of the Governmental Accounting Standards Board ("GASB"), "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units (an amendment of GASB Statement No. 14)." Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statements No. 14 and 39, the Authority has no material component units nor is it considered a component unit of the City of Cincinnati or Hamilton County, Ohio. The Authority is, however, considered to be a related organization to Hamilton County by virtue of the fact that SORTA's Board of Trustees is appointed by the Hamilton County Board of Commissioners.

These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization nor is the City or Hamilton County accountable for SORTA. This is evidenced by the fact that the Authority is a legally and fiscally separate and distinct organization under the provisions of the Ohio Revised Code.

### **2. Summary of Significant Accounting Policies**

#### **A. Basis of Accounting**

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the economic resources measurement focus and the accrual basis of accounting. Revenues and expenses are recognized in the period earned or incurred, regardless of the timing of the related cash flows. All transactions are accounted for in a single enterprise fund. In accordance with GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Authority has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. The Authority will continue applying all applicable pronouncements issued by the GASB.

The measurement focus is on the determination of revenues, expenses, financial position, and cash flows as the identification of these items is necessary for appropriate capital maintenance, public policy, management control, accountability, and the calculation of amounts due under the City/SORTA agreement (see Note 3).

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)**

### **B. Net Asset Classifications**

GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus," requires the classification of net assets into the following three components:

- Invested in capital assets, net of related debt—consisting of capital assets, net of accumulated depreciation and reduced by the outstanding balance of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted—consisting of net assets, the use of which is limited by external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, constitutional provisions or enabling legislation.
- Unrestricted net assets—consisting of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

### **C. Nonexchange Transactions**

The Authority follows GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions." In general, GASB Statement No. 33 establishes accounting and financial reporting standards about when to report the results of nonexchange transactions involving financial or capital resources. In a nonexchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. The Authority's principal nonexchange transactions involve the receipt of monies from the City Income Tax-Transit Fund (see Note 3) along with federal, state and local grants for operating assistance as well as the acquisition of property, facilities and equipment. Substantially all of the Authority's nonexchange transactions represent reimbursement-type grants, which are recorded as revenue in the period the related expenditures are incurred, and are recorded as deferred revenue until the expenditures are incurred.

### **D. Passenger Fares**

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

### **E. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, certificates of deposit, and commercial paper investments to be cash equivalents.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2008 and 2007 (continued)**

**F. Investments**

The Authority’s investments (including cash equivalents) are recorded at fair value (based on quoted market prices) except that short-term, highly liquid debt investments, with a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

The Authority has invested funds in STAROhio, an investment pool managed by the State Treasurer’s office that allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price at which the investment could be sold.

**G. Inventory of Materials and Supplies**

Materials and supplies are stated at cost, which is determined using the average cost method.

**H. Restricted Assets**

Restricted assets consist of funds received under various capital grants from the Federal Transit Administration (“FTA”), the Ohio Department of Transportation (“ODOT”), and the local matching share received from the City Income Tax-Transit Fund. These assets are restricted for capital and other project expenditures.

**I. Capital Assets and Depreciation**

Capital assets are stated at cost and include expenditures which substantially increase the utility or useful lives of existing assets. Maintenance parts are expensed when placed in service. Routine maintenance and repairs are expensed as incurred.

Assets acquired with capital grants or under capital lease having a value of \$500 or more are also included in capital assets, and depreciation/amortization of the cost of those assets is included in the Statements of Revenues, Expenses and Changes in Net Assets.

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

<b>Description</b>	<b>Years</b>
Buildings	40
Improvements	15
Revenue vehicles	4-12
Other equipment	3-10

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)**

### **J. Claims**

As described in Note 9, SORTA is self-insured for public liability, personal injury, third-party property damage, and workers' compensation claims. SORTA recognizes a liability for such claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The liability recorded includes the estimated incremental expenses to be incurred to settle the claims, including legal fees. Claims liabilities are based on evaluations of individual claims and a review of experience with respect to the probable number and nature of claims arising from losses that have been incurred but have not yet been reported. The claims liabilities represent the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Estimated future recoveries on settled and unsettled claims, such as subrogations, if any, are evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims. Any adjustments resulting from the actual settlement of the claims are reflected in earnings at the time the adjustments are determined.

### **K. Compensated Absences**

Vacation pay is accrued and charged to expense as earned. Because rights to sick pay do not vest, SORTA recognizes such costs when they are incurred.

### **L. Budgetary Accounting and Control**

SORTA's annual budget is prepared on the accrual basis of accounting. The budget includes amounts for current year revenues and expenses as well as new capital projects.

The Authority maintains budgetary control by not permitting total operating expenses (excluding depreciation and amortization) and expenditures for individual capital projects to exceed revenue sources without approval by the Board of Trustees. No budget amendments were passed for 2008 and 2007. All budget amounts lapse at year end.

### **M. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **N. Operating and Non-operating Revenues and Expenses**

The Authority considers passenger fares, special transit fares and bus advertising revenues as operating revenues. Non-operating revenues are subsidies received from federal, state,

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)**

and local sources. Expenses incurred for the daily operations of the transit system are considered operating expenses.

### **O. Reclassifications**

Certain reclassifications have been made to prior year amounts in the financial statements to conform with current year presentation. The reclassifications had no effect on the previously reported change in net assets.

### **3. Federal Grants and Local Reimbursement**

SORTA receives capital assistance from the U.S. Department of Transportation under the Urban Mass Transportation Act of 1964 (the "Act"), as amended. Among other requirements of the Act, state and local governments must provide a proportionate share of funds and/or support (as defined by the Federal Transit Administration guidelines) for capital assistance. In addition to federal and state capital assistance, funding is also provided by a portion of the City income tax approved by the residents of the City and designated for transit operations. Operating assistance provided from the City Income Tax-Transit Fund represents SORTA's net loss before such assistance, excluding depreciation/amortization and losses on the disposal of assets purchased with capital grants. Any portion unremitted for the year is recorded as receivable. Any overadvanced amount for the year is recorded as an advance from the City Income Tax-Transit Fund or as deferred capital grants representing the Authority's matching local share requirements under the Act.

An agreement between the City and SORTA requires the City to maintain a transit fund into which the proceeds of the income tax designated for transit operations are deposited. This fund provides all necessary local (other than operating revenues) operating and capital assistance to SORTA. The agreement also contains certain provisions regarding service standards and fares. This agreement is of indefinite duration but may be terminated by providing 180 days written notice to the other party. If terminated, the City will assume all outstanding commitments that SORTA incurred in carrying out the agreement.

### **4. Cash and Investments**

The investment and deposit of Authority monies are governed by the provisions of the Ohio Revised Code and the Authority's established policies. Accordingly, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, STAROhio, and obligations of the United States government and certain agencies thereof. The Authority may also enter into repurchase agreements for a period not exceeding thirty days with banks located within the State of Ohio with which the Authority has signed a Master Repurchase Agreement. At the time of making an investment, the Authority's Treasurer must reasonably expect that the investment can be held until maturity. To the extent possible, the Treasurer will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement,



Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)**

the Treasurer will not directly invest in securities maturing more than five years from the settlement date of purchase.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution, or may deposit surety company bonds that when executed shall be for an amount in excess of collateral requirements. 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 must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. 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 a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

As of December 31, 2008 and 2007, the Authority maintained restricted cash and cash equivalents of \$11,725,375 and \$9,168,062, respectively, and unrestricted cash and investments of \$25,311,280 and \$27,474,845, respectively. The total cash and investments of \$37,036,655 and \$36,642,907, respectively, consisted of \$22,737,359 and \$15,066,374, respectively, in deposits and \$14,299,296 and \$21,576,533, respectively, in investments.

### **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does have a deposit policy for custodial credit risk.

At December 31, 2008 and 2007, the carrying amount of the Authority's deposits was \$22,737,359 and \$15,066,374, respectively, and the bank balance was \$24,327,857 and \$15,994,962, respectively, all of which was covered by federal depository insurance, surety bonds provided by a commercial insurance company, or collateralized with securities held by the Federal Reserve in SORTA's name.

### **Investments**

As of December 31, 2008 and 2007, the fair value of the Authority's investments were as follows:

## Southwest Ohio Regional Transit Authority

### Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)

	2008	2007
U.S. Agency bonds	\$14,290,947	\$18,972,564
Star Treasury Reserve of Ohio (STAROhio)	<u>8,349</u>	<u>2,603,969</u>
Total investments	<u>\$14,299,296</u>	<u>\$21,576,533</u>

Investments held by the Authority at December 31, 2008 are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. No deposits were subject to custodial credit risk.

Investment Type	Fair Value	Not Rated	AAA	AA,A and BBB	Below BBB
U.S. Agency bonds	\$14,290,947	—	\$14,290,947	—	—
Star Treasury Reserve of Ohio (STAROhio)	8,349	—	8,349	—	—
<b>Total Investments</b>	\$14,299,296	\$0	\$14,299,296	\$0	\$0

The following table presents the Authority's bond investments by length of maturity.

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Agency bonds	\$14,290,947	\$2,354,074	\$11,936,873	\$0	\$0
<b>Total Bonds</b>	\$14,290,947	\$2,354,074	\$11,936,873	\$0	\$0

Investments held by the Authority at December 31, 2007 are presented below, categorized by investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. No deposits were subject to custodial credit risk.

Investment Type	Fair Value	Not Rated	AAA	AA,A and BBB	Below BBB
U.S. Agency bonds	\$18,972,564	—	\$18,972,564	—	—
Star Treasury Reserve of Ohio (STAROhio)	2,603,969	—	2,603,969	—	—
<b>Total Investments</b>	\$21,576,533	\$0	\$21,576,533	\$0	\$0

## Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)

The following table presents the Authority's bond investments by length of maturity.

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Agency bonds	\$18,972,564	\$4,312,101	\$14,660,463	\$0	\$0
<b>Total Bonds</b>	<b>\$18,972,564</b>	<b>\$4,312,101</b>	<b>\$14,660,463</b>	<b>\$0</b>	<b>\$0</b>

### 5. Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Deletions	Balance December 31, 2008
Capital assets not being depreciated:				
Land	\$13,162,958	_____	_____	\$13,162,958
Total capital assets not being depreciated	<u>13,162,958</u>	<u>—</u>	<u>—</u>	<u>13,162,958</u>
Capital assets being depreciated:				
Buildings	1,506,516			1,506,516
Improvements	25,399,978	\$570,459	\$399,013	25,571,424
Revenue vehicles	106,288,526	7,930,291		114,218,817
Other equipment	28,040,959	1,769,782	105,813	29,704,928
Total capital assets being depreciated	<u>161,235,979</u>	<u>10,270,532</u>	<u>504,826</u>	<u>171,001,685</u>
Less accumulated depreciation:				
Buildings	307,869	36,681		344,550
Improvements	8,250,280	1,741,255	399,013	9,592,522
Revenue vehicles	71,662,620	7,575,381		79,238,001
Other equipment	22,617,246	1,928,082	84,213	24,461,115
Total accumulated depreciation	<u>102,838,015</u>	<u>11,281,399</u>	<u>483,226</u>	<u>113,636,188</u>
Total capital assets being depreciated, net	<u>58,397,964</u>	<u>(1,010,867)</u>	<u>21,600</u>	<u>57,365,497</u>
Total capital assets, net	<u>\$71,560,922</u>	<u>(\$1,010,867)</u>	<u>\$21,600</u>	<u>\$70,528,455</u>

## Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$13,162,958			\$13,162,958
Total capital assets not being depreciated	<u>13,162,958</u>	<u>—</u>	<u>—</u>	<u>13,162,958</u>
Capital assets being depreciated:				
Buildings	1,506,516			1,506,516
Improvements	24,790,043	\$696,042	\$86,107	25,399,978
Revenue vehicles	105,315,981	1,027,725	55,180	106,288,526
Other equipment	<u>28,110,156</u>	<u>1,437,043</u>	<u>1,506,240</u>	<u>28,040,959</u>
Total capital assets being depreciated	<u>159,722,696</u>	<u>3,160,810</u>	<u>1,647,527</u>	<u>161,235,979</u>
Less accumulated depreciation:				
Buildings	271,188	36,681		307,869
Improvements	6,623,180	1,627,100		8,250,280
Revenue vehicles	63,743,508	7,974,292	55,180	71,662,620
Other equipment	<u>21,688,707</u>	<u>2,413,181</u>	<u>1,484,642</u>	<u>22,617,246</u>
Total accumulated depreciation	<u>92,326,583</u>	<u>12,051,254</u>	<u>1,539,822</u>	<u>102,838,015</u>
Total capital assets being depreciated, net	<u>67,396,113</u>	<u>(8,890,444)</u>	<u>107,705</u>	<u>58,397,964</u>
Total capital assets, net	<u>\$80,559,071</u>	<u>(\$8,890,444)</u>	<u>\$107,705</u>	<u>\$71,560,922</u>

Prior to 1986, under terms of the operating agreement with the City, SORTA agreed to operate transportation equipment and certain operating facilities which had been purchased by the City primarily under FTA and ODOT capital grants.

During 1986, the City transferred the title to existing transit system physical assets, except for real estate, construction projects and certain assets which had been conveyed to a bank under a sale and leaseback arrangement.

If the assets not conveyed by the City in 1986 (real estate, construction projects, and certain other assets having an estimated aggregate historical cost of approximately \$28.3 million at December 31, 2008) had been owned by SORTA, the provision for depreciation for the years ended December 31, 2008 and 2007 would have increased approximately \$650,000 in each year.

In case of termination of the City/SORTA operating agreement, all assets operated by SORTA for the City are to be returned to the City.

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)

### 6. Grants, Reimbursements, and Special Fare Assistance

Grants, reimbursements, and special fare assistance included in the Statements of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2008 and 2007 consist of the following:

	2008	2007
<b>Non-operating revenues:</b>		
<b>Federal:</b>		
FTA-Maintenance and other assistance	<u>\$11,970,797</u>	<u>\$13,178,726</u>
FTA-grant pass-through–Cincinnati Zoo Transit Hub	<u>\$727,655</u>	<u>—</u>
FTA-grant pass-through–Everybody Rides Metro Foundation	<u>\$98,152</u>	<u>—</u>
<b>State:</b>		
ODOT-Fuel tax reimbursement	\$970,626	\$1,005,787
ODOT-Elderly and handicapped grant	416,895	513,804
ODOT-Maintenance and other assistance	<u>662,924</u>	<u>652,667</u>
Total	<u>\$2,050,445</u>	<u>\$2,172,258</u>
<b>Local:</b>		
Cincinnati Board of Education Contract	\$6,662,091	\$5,664,198
Hamilton County	311,548	382,379
Warren County	6,626	35,930
Deerfield Township	6,109	33,127
City of Mason	—	33,127
Other	<u>396,375</u>	<u>446,275</u>
Total	<u>\$7,382,749</u>	<u>\$6,595,036</u>
<b>Capital grant revenue:</b>		
Federal	\$6,472,131	\$918,022
State	21,241	345,517
Local	<u>3,719,419</u>	<u>1,744,626</u>
Total	<u>\$10,212,791</u>	<u>\$3,008,165</u>

### 7. Lease Commitments

SORTA leases its administrative offices under lease agreements which are accounted for as operating leases. Rent expense under these leases, which includes certain short-term leases, was approximately \$357,000 in 2008 and \$297,000 in 2007.

At December 31, 2008, the minimum future payments under leases with terms extending beyond one year are as follows:

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2008 and 2007 (continued)**

<u>Year</u>	<u>Amount</u>
2009	121,102
2010	125,347
2011	129,494
2012	133,765
2013	138,164
2014-2018	778,724
2019-2023	<u>520,727</u>
Total	<u>\$1,947,323</u>

SORTA also leases 38 revenue vehicles under a master lease-purchase agreement with a local financial institution. Based on the terms of the agreement, it has been classified as a capital lease. The capitalized cost and accumulated amortization recorded for these vehicles amounted to \$10,000,000 and \$5,416,999, respectively, at December 31, 2008.

The agreement calls for semi-annual payments of interest with the entire principal balance of \$10,000,000 due February 1, 2011. Future minimum lease payments under the capital leases are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$418,000
2010	418,000
2011	<u>10,209,000</u>
Total minimum lease payments	11,045,000
Less amount representing interest	<u>1,045,000</u>
Present value of net minimum lease payments	10,000,000
Less amount due in 2009	<u>—</u>
Amount due after 2009	<u>\$10,000,000</u>

During the years ended December 31, 2008 and 2007, the Authority recognized \$417,996 of interest expense under its capital leases. Changes in the Authority's long term capital lease obligations are summarized below:

	<b>2008</b>	<b>2007</b>
Balance, beginning of year	\$10,000,000	\$10,000,000
Additions	—	—
Reductions	<u>—</u>	<u>—</u>
Balance, end of year	<u>\$10,000,000</u>	<u>\$10,000,000</u>

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)

### 8. Retirement Benefits

#### A. Public Employees Retirement System of Ohio

**Plan Description.** Effective July 1, 1991, all employees of the Authority are required to be members of the Ohio Public Employees Retirement System (“OPERS”), a cost-sharing, multiple-employer defined benefit pension plan. Authority to establish and amend benefits is provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222 PERS (7377).

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan (“TP”)—a cost-sharing multiple-employer defined benefit pension plan.
- The Member-Directed Plan (“MD”)—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 MD Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- The Combined Plan (“CO”)—a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which are self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for ancillary benefits.

**Funding Policy.** The Ohio Revised Code provides statutory authority for employee and employer contributions. In 2008, employees other than law enforcement personnel were required to contribute 10.0% (9.5% in 2007) of their covered payroll to OPERS. The 2008 and 2007 employer contribution rates for local government employer units were 14.00% and 13.85%, respectively, of covered payroll including 7.0% in 2008 and 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007 that is used to fund postretirement health care benefits. The Authority’s total contributions to OPERS for pension benefits (excluding the amount relating to postretirement health care benefits) for the years ended December 31, 2008, 2007 and 2006 were \$3,083,000, \$3,480,000, and \$3,697,000, respectively, equal to 100% of the required contribution for each year.

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)

### B. Private Pension Plans

**Plan Description.** Certain retirees (12 at January 1, 2009) continue to participate in the private pension plans which originated under the privately owned transit system (Cincinnati Transit, Inc.) acquired by the City in 1973. SORTA administers these single-employer, defined benefit pension plans and is reimbursed by the City for the costs of the plans (Note 3). The pension costs of the private plans are expected to decline in future years. The private pension plans do not issue stand-alone financial reports.

**Funding Policy.** SORTA has elected to pay benefits when due. As a result, the net pension obligation calculated below has not been discounted to take into consideration interest on contributions.

**Annual Pension Cost and Net Pension Obligation.** SORTA's annual pension cost and net pension obligation pertaining to the private pension plans as of and for the years ended December 31, 2008, 2007 and 2006 were determined using the unit credit actuarial cost method as follows:

	2008	2007	2006
Annual required contribution	—	—	—
Interest on net pension obligation	—	—	—
Actuarial adjustment to net pension obligation	—	\$(8,006)	—
Annual pension cost	—	(8,006)	—
Contribution/benefit payments made	<u>\$(15,152)</u>	<u>(18,539)</u>	<u>\$(23,979)</u>
Decrease in net pension obligation	(15,152)	(26,545)	(23,979)
Net pension obligation beginning of year	<u>57,684</u>	<u>84,229</u>	<u>108,208</u>
Net pension obligation end of year	<u><u>\$42,532</u></u>	<u><u>\$57,684</u></u>	<u><u>\$84,229</u></u>

The net pension obligation was actuarially determined using a mortality assumption obtained from the Unisex Pension Table for 1994 and the 2008 and 2007 amounts are recognized as non-current liabilities on the accompanying balance sheets. Because future benefit increases are not assured and are not expected to be material, this factor was not considered in the determination of the net pension obligation and annual pension cost.

### C. Other Postemployment Benefits

**Benefits Provided Through OPERS.** The Authority provides health care benefits as a post-employment benefit (as defined by GASB Statement No. 12) through its contributions to OPERS. In addition to the pension benefit described in Note 8A, OPERS provides postretirement health care benefits to qualifying members of both the TP and CO Plans; however, health care benefits are not statutorily guaranteed. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for postretirement health care coverage, age and service retirees must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is also available. The health care coverage provided by



Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)

OPERS 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 the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For the Authority, 7.0% of covered payroll was the portion of the 14.00% total contribution rate for 2008 that was used to fund health care, and 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007 of covered payroll were the portions of the 13.85% total contribution rate for 2007 that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations noted below were based on OPERS' latest actuarial review performed as of December 31, 2007. 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 the unfunded actuarial accrued liability. 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. The assumed rate of return on investments for 2007 was 6.5%. An annual increase of 4.0%, 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 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 4% for the next seven years. In subsequent years (eight and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB provided through OPERS are advance-funded on an actuarially determined basis. The total number of active contributing participants in the TP and CO Plans was 363,503 and 364,076 at December 31, 2008 and 2007, respectively. The Authority's contributions to OPERS for other post-employment benefits for the years ended December 31, 2008 and 2007 were \$3,083,000 and \$2,293,000, respectively, equal to 100% of the required contributions for each year. The actuarial value of OPERS' net assets available for OPEB at December 31, 2007 was \$12.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 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. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2008, January 1, 2007 and January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**Other Benefits Provided.** In addition to the other postemployment benefits provided by OPERS, SORTA also provides postemployment health care benefits to former employees of

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2008 and 2007 (continued)**

Cincinnati Transit, Inc., who do not qualify for OPERS health care benefits, and a \$2,000 life insurance benefit to each retired hourly employee. GASB Statement No. 45, "Accounting and Financial Reporting by Employers For Postemployment Benefits Other Than Pensions," provides the authoritative guidance regarding how governmental entities should account for and report the costs and obligations associated with these benefits. The Authority's accounting and reporting for these benefits is not materially different from the guidance in GASB No. 45. Further explanation of the accounting treatment of these benefits is presented below.

The life insurance benefits are provided through group insurance arrangements which are funded by SORTA through payment of monthly insurance premiums. The health care benefits were previously provided by group insurance arrangements which were funded by SORTA through payment of monthly insurance premiums. Effective March 1, 1997, SORTA became self-insured for such health care benefits. As of December 31, 2008, 1 individual was receiving health care benefits and 446 individuals were eligible to receive life insurance benefits.

SORTA has recorded the following accrued liabilities in accrued payroll taxes and other benefits on its balance sheet for these postemployment benefits at December 31:

	<u>2008</u>	<u>2007</u>
Health care benefits	\$748	\$952
Life insurance benefits	\$470,849	\$342,798

These liabilities represent the present value of the estimated future health care benefits and life insurance premiums that are expected to be paid for retirees who were eligible for benefits as of each of the dates indicated. The liability for life insurance benefits includes a provision for estimated amounts which will be paid for existing employees.

These liabilities were determined based on the following assumptions:

	2008	2007
Medical inflation assumptions	**	**
Future annual increases in life insurance premiums	2.00%	2.00%
Remaining life expectancy*	Individually Determined	
Medical	Individually Determined	
Life	14.6 yrs.	14.6 yrs.
Interest factor	6.00%	6.00%

\*Based on U.S. National Center for Health Statistics, Vital Statistics of the U.S. 1994 (most recent available).

\*\*No medical inflation.

The total expense recognized by the Authority for postemployment benefits not provided under OPERS was approximately \$158,000 and \$28,000 for the years ended December 31, 2008 and 2007, respectively.

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)

### 9. Risk Management

SORTA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Blanket insurance coverage has been obtained to cover damage or destruction to the Authority's property and SORTA is self-insured for public liability, personal injury, and third-party property damage claims. In addition, the City of Cincinnati has appropriated \$3,000,000 of funds held in the City Income Tax-Transit Fund (see Note 3). These funds may be used to fund individual claims against SORTA to the extent that each claim is in excess of \$100,000 per incident. Claims expense and a liability are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The City of Cincinnati has also appropriated another \$2,000,000 of funds held in the City Income Tax-Transit Fund as a working capital reserve.

Employee health care benefits are provided under a group insurance arrangement, and on January 1, 1995, the Authority became self-insured for workers' compensation benefits. Prior to 1995, SORTA was insured through the State of Ohio for workers' compensation benefits. The State of Ohio Bureau of Workers' Compensation continues to be liable for all claims prior to January 1, 1995. As shown below, the estimated amount due for workers' compensation claims is included in the accrual for estimated claims payable. SORTA carries liability insurance to cover any workers' compensation claim in excess of \$250,000 through December 31, 2001, \$350,000 through December 31, 2002, and \$400,000 thereafter. The workers' compensation liability includes an amount for claims that may have been incurred but not reported. The claims liability has been calculated on an actuarial basis considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic factors. The present value of the workers' compensation liability is calculated using an interest rate of 0.9%.

The changes in the liabilities for self-insured risks for the years ended December 31, 2008, 2007 and 2006 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Public Liability</u> <u>and Property Damage</u>	<u>Total</u>
Balance, January 1, 2006	\$3,769,309	\$446,035	\$4,215,344
Claims, net of changes in estimates	1,045,222	490,728	1,535,950
Payments	<u>(824,003)</u>	<u>(379,290)</u>	<u>(1,203,293)</u>
Balance, December 31, 2006	3,990,528	557,473	4,548,001
Claims, net of changes in estimates	749,322	583,011	1,332,333
Payments	<u>(884,492)</u>	<u>(576,248)</u>	<u>(1,460,740)</u>
Balance, December 31, 2007	3,855,358	564,236	4,419,594
Claims, net of changes in estimates	1,325,854	675,558	2,001,412
Payments	<u>(1,066,009)</u>	<u>(695,043)</u>	<u>(1,761,052)</u>
Balance, December 31, 2008	<u>\$4,115,203</u>	<u>\$544,751</u>	<u>\$4,659,954</u>

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (continued)**

The liabilities above represent the Authority's best estimates based upon available information.

Settled claims have not exceeded the Authority's commercial insurance coverage for any of the past three years.

### **10. Contingencies and Commitments**

#### **A. Litigation and Claims**

It is the Authority's policy, within certain limits (see Note 9), to act as self-insurer for certain insurable risks consisting primarily of public liability, property damage, and workers' compensation. At December 31, 2008, SORTA had been named in various public liability and property damage claims and suits, some of which seek significant damages. The ultimate outcome of those matters cannot be determined; however, it is the opinion of management that any resulting liability to the Authority in excess of the amount provided for in the accompanying balance sheets, and which is not covered by insurance, 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 eligible expenditures under the terms of the grants. At December 31, 2008, there were no 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 SORTA's management, no material grant expenditures will be disallowed.

### **11. New Accounting Pronouncements**

During June 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. Statement No. 51 will not be effective for SORTA until the year ended December 31, 2010, and as such, the Authority has not determined the impact that this statement will have on its financial statements.

During June 2008, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Common types of derivative instruments used by governments include, among others, forward contracts and futures contracts. Statement No. 53 will not be effective for SORTA until the year ended December 31, 2010, and as such, the Authority has not determined the impact that this statement will have on its financial statements.

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2008 and 2007 (concluded)**

### **12. Everybody Rides Metro**

In 2006, the Authority formed "Everybody Rides Metro", a charitable foundation authorized under section 501(c)3 of the Internal Revenue Code and registered in Ohio and Kentucky. The foundation was formed to provide transportation fare subsidies to poor or handicapped individuals by underwriting fares and to aid SORTA in acquiring advanced technology to improve the environment and/or reduce the cost of bus transportation. The revenues of Everybody Rides Metro are derived from grants and donations. The foundation meets the criteria for a "discretely presented component unit" as defined in GASB Statement No. 14, "The Financial Reporting Entity," but since the assets as of December 31, 2008 (\$263,920), and revenue for the year ended December 31, 2008 (\$331,787), are immaterial to the Authority's basic financial statements, "Everybody Rides Metro" financial information is not presented in these financial statements.

### **13. Energy Forward Pricing Mechanisms**

Pursuant to Attorney General Opinion No.89-080 dated October 16, 1989, SORTA may enter into forward pricing mechanisms (e.g., commodity-type futures, options, contracts, etc.) as a budget risk reduction tool to manage price variability and cost/budget uncertainty associated with the purchase of Authority-consumed energy (e.g., diesel fuel). Since May 2006, SORTA has hedged its diesel consumption (approximately 3.6 million gallons per year) with Energy Forward Pricing Mechanisms (EFPM). This program's objective is to manage a large portion of Metro's exposure to fuel price swings. EFPMs may be comprised of any single or combined use of futures, options, options on futures, or fixed price delivery contracts. In 2008 and 2007, heating oil #2 futures contracts (contracts) and fixed-price supply contracts were utilized. The SORTA Board approval limits contracts in-place to ninety percent of consumption expected in any one month. The initial value of each contract is zero. The price of diesel fuel purchased any day is the published Cincinnati rack price for the prior day plus or minus a differential agreed to through a competitive bidding process. The differential to the published Cincinnati rack price was \$.004 per gallon at December 31, 2008 and 2007. When fuel is purchased, contracts are exercised, thereby effectively tying the fuel price to the price of #2 heating oil as of the date of the contract's creation. For the years ending December 31, 2008 and 2007, gains of \$1,580,340 (43.9 cents per gallon) and losses of \$63,966 (1.86 cents per gallon), respectively, were recognized as a decrease and as an increase, respectively, in diesel fuel expense. On December 31, 2008 and 2007, the remaining open contracts had \$5,383,333 of unrealized loss and \$1,295,456 of unrealized gain, respectively. There is no debt associated with these contracts and unrealized losses are fully funded.

As outlined in Governmental Accounting Standards Board Technical Bulletin 2003-1, there are certain risks attached to this program. Metro may face increased costs if: 1) fuel consumption falls below the contract levels, 2) the closing value of the contract is below its nominal value.

Southwest Ohio Regional Transit Authority

**Supplemental Schedule of Revenues, Expenses and Changes in Net Assets—  
Budget and Actual (GAAP Basis)  
for the year ended December 31, 2008**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>Operating revenues</b>	\$25,184,913	\$23,975,641	\$(1,209,272)
<b>Operating expenses other than depreciation and amortization:</b>			
Labor	39,704,012	40,717,424	(1,013,412)
Fringe benefits	20,518,072	19,937,641	580,431
Materials and supplies consumed	15,394,831	15,618,066	(223,235)
Services	3,272,747	3,765,859	(493,112)
Utilities	1,865,789	1,915,727	(49,938)
Casualty and liability	380,959	486,380	(105,421)
Taxes	1,083,646	1,026,550	57,096
Purchased transportation services	6,761,076	5,976,923	784,153
Leases and rentals	498,276	534,340	(36,064)
Miscellaneous	412,432	526,056	(113,624)
Sub-total	<u>89,891,840</u>	<u>90,504,966</u>	<u>(613,126)</u>
Grant pass-through Cincinnati Zoo Transit Hub	727,655	727,655	0
Grant pass-through Everybody Rides Metro Foundation	98,152	98,152	0
<b>Total</b>	<u>90,717,647</u>	<u>91,330,773</u>	<u>(613,126)</u>
<b>Depreciation and amortization</b>	<u>11,000,000</u>	<u>11,281,399</u>	<u>(281,399)</u>
<b>Total operating expenses</b>	<u>101,717,647</u>	<u>102,612,172</u>	<u>(894,525)</u>
<b>Operating loss</b>	<u>(76,532,734)</u>	<u>(78,636,531)</u>	<u>(2,103,797)</u>
<b>Non-operating revenues:</b>			
Local operating grants and special fare assistance	50,950,038	50,418,421	(531,617)
Federal maintenance grants and reimbursements	9,736,509	11,970,797	2,234,288
Federal grant pass-through Cincinnati Zoo Transit Hub	727,655	727,655	0
Federal grant pass-through Everybody Rides Metro Foundation	98,152	98,152	0
State maintenance grants, reimbursements and special fare assistance	2,344,074	2,050,445	(293,629)
Investment income-net	1,152,000	1,153,659	1,659
Increase in fair value of investments	0	308,770	308,770
Non-transportation revenue	524,306	627,233	102,927
<b>Total</b>	<u>65,532,734</u>	<u>67,355,132</u>	<u>1,822,398</u>
<b>Net loss before capital grant activity</b>	<u>(11,000,000)</u>	<u>(11,281,399)</u>	<u>(281,399)</u>
<b>Capital grant revenue</b>	<u>17,510,265</u>	<u>10,212,791</u>	<u>(7,297,474)</u>
<b>Increase (decrease) in net assets during the year</b>	<u>6,510,265</u>	<u>(1,068,608)</u>	<u>(7,578,873)</u>
<b>Net assets, beginning of year</b>	<u>71,862,911</u>	<u>71,862,911</u>	<u>0</u>
<b>Net assets, end of year</b>	<u>\$78,373,176</u>	<u>\$70,794,303</u>	<u>\$(7,578,873)</u>

## STATISTICAL SECTION

This part of the Southwest Ohio Regional Transit Authority’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority’s overall financial health.

<b>Contents</b>	<b>Page(s)</b>
<b>Financial Trends</b> .....	<b>45-52</b>
<p>These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.</p>	
<b>Revenue Capacity</b> .....	<b>53</b>
<p>This schedule contains information to help the reader assess the Authority’s most significant local revenue source, the City of Cincinnati Income Tax Transit Fund.</p>	
<b>Debt Capacity</b> .....	<b>54</b>
<p>These schedules present information to help the reader assess the affordability of the Authority’s current levels of outstanding debt and the Authority’s ability to issue additional debt in the future.</p>	
<b>Economic and Demographic Information</b> .....	<b>55-56</b>
<p>These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority’s financial activities take place.</p>	
<b>Operating Information</b> .....	<b>57-66</b>
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the Authority’s financial report relates to the services the Authority provides and the activities it performs.</p>	

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

Southwest Ohio Regional Transit Authority

**Net Assets and Changes in Net Assets—Last Ten Years  
(Dollars In Thousands)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Operating revenues</b>										
Passenger fares for transit service	\$14,283	\$14,729	\$14,475	\$13,846	\$14,758	\$14,852	\$18,088	\$18,665	\$18,590	\$22,964
Special transit fares	528	381	328	412	487	414	563	700	550	474
Auxiliary transportation revenue	573	762	574	615	392	412	459	464	547	538
Total operating revenues	\$15,384	\$15,872	\$15,377	\$14,873	\$15,637	\$15,678	\$19,110	\$19,829	\$19,687	\$23,976
<b>Non-operating revenues</b>										
Federal maintenance grants and reimbursements	14,327	18,219	13,920	15,464	14,018	12,995	11,421	11,215	13,179	11,971
Federal grant pass-through	0	0	0	713	3,208	624	0	350	0	826
State maintenance grants, reimbursements and special fare assistance	4,716	4,664	2,588	1,316	1,308	1,351	1,340	2,297	2,172	2,050
State grant pass-through	0	0	0	0	0	146	0	0	0	0
Local operating grants and special fare assistance	4,028	4,564	5,249	5,591	5,632	5,466	5,596	5,862	6,744	7,383
Investment income-net	1,635	2,981	2,799	1,576	698	754	1,111	1,580	1,611	1,153
Increase (decrease) in fair value of investments	0	0	331	972	(259)	(166)	(398)	(79)	412	309
Non-transportation revenue	288	491	414	541	513	585	668	706	667	627
Total non-operating revenues	24,994	30,919	25,301	26,173	25,118	21,755	19,738	21,931	24,785	24,319
<b>Total Revenues</b>	40,378	46,791	40,678	41,046	40,755	37,433	38,848	41,760	44,472	48,295
<b>Operating expenses</b>										
Labor	31,992	33,927	35,050	35,487	36,272	35,759	35,409	37,245	38,491	40,717
Fringe benefits	12,704	12,574	13,340	15,766	15,971	16,266	17,256	18,352	19,328	19,938
Materials and supplies consumed	7,439	10,480	7,953	7,309	8,222	8,955	10,597	12,863	14,261	15,618
Services	2,612	3,387	3,044	3,244	2,704	2,660	2,754	3,053	3,039	3,766
Utilities	929	1,080	1,074	1,216	1,341	1,302	1,561	1,637	1,872	1,916
Casualty and liability	410	260	1,724	547	1,343	(335)	288	459	500	486
Taxes	825	859	849	864	896	936	995	1,059	1,053	1,027
Purchased transportation services	4,323	4,398	5,167	6,116	5,840	5,921	5,898	6,106	6,182	5,977
Leases and rentals	518	477	479	488	455	467	506	491	484	534
Miscellaneous	1,082	1,614	1,409	1,348	1,311	391	520	636	387	526
Grant pass-through	0	0	0	713	3,943	770	0	350	0	826
Depreciation and amortization	8,595	8,750	9,011	9,212	9,550	10,090	10,606	11,489	12,051	11,281
Total operating expenses	71,429	77,806	79,100	82,310	87,848	83,182	86,390	93,740	97,648	102,612
<b>Total Expenses</b>	71,429	77,806	79,100	82,310	87,848	83,182	86,390	93,740	97,648	102,612

(continued)



Southwest Ohio Regional Transit Authority

**Net Assets and Changes in Net Assets—Last Ten Years (Continued)**  
**(Dollars In Thousands)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Operating assistance from the City of Cincinnati Income Tax-Transit Fund grant pass-through	0	0	0	0	735	0	0	0	0	0
Operating assistance from the City of Cincinnati Income Tax-Transit Fund	22,456	22,265	29,410	32,052	36,808	35,660	36,936	40,491	41,304	43,036
Capital grant revenue	9,344	7,068	17,134	14,231	6,383	10,399	6,773	17,741	3,008	10,212
<b>Increase (decrease) in net assets</b>	<b>\$749</b>	<b>(\$1,682)</b>	<b>\$8,122</b>	<b>\$5,019</b>	<b>(\$3,167)</b>	<b>\$310</b>	<b>(\$3,833)</b>	<b>\$6,252</b>	<b>(\$9,043)</b>	<b>(\$1,069)</b>
<b>Net Assets at Year-End</b>										
Invested in capital assets, net of related debt	\$68,509	\$66,826	\$66,312	\$60,827	\$59,061	\$59,431	\$55,640	\$70,559	\$61,561	\$60,528
Restricted	63	83	1,086	164	514	1,446	3,118	1,300	497	4,394
Unrestricted	1,313	1,293	8,927	20,353	18,602	17,610	15,895	9,047	9,805	5,871
<b>Total Net Assets</b>	<b>\$69,885</b>	<b>\$68,203</b>	<b>\$76,325</b>	<b>\$81,344</b>	<b>\$78,177</b>	<b>\$78,487</b>	<b>\$74,654</b>	<b>\$80,906</b>	<b>\$71,863</b>	<b>\$70,794</b>

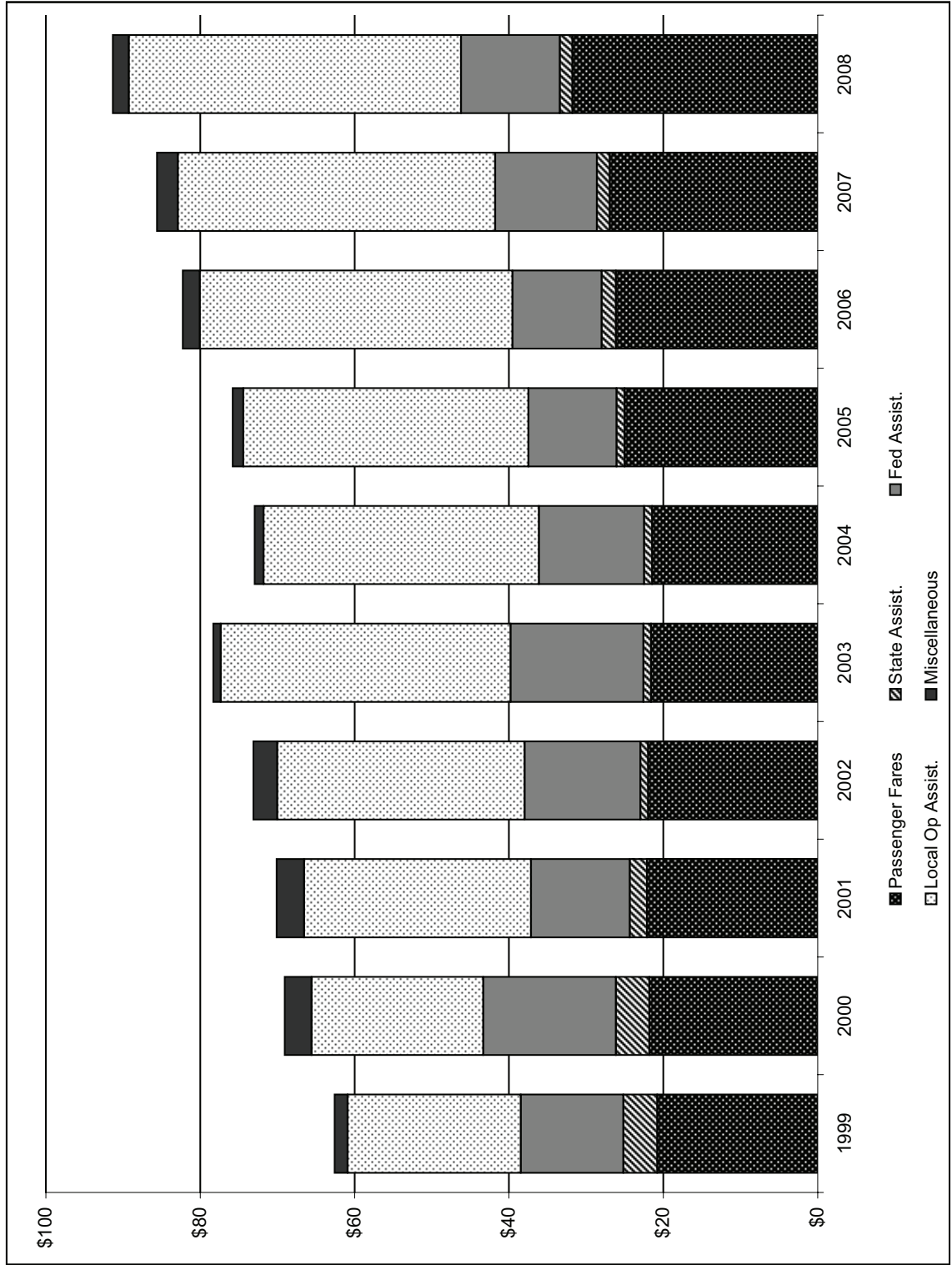
Southwest Ohio Regional Transit Authority

**Revenues by Source—Last Ten Years  
(in Thousands)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>OPERATING REVENUES</b>										
Passenger fares for transit service (1)	\$19,679	\$20,661	\$21,204	\$20,937	\$20,712	\$20,630	\$23,989	\$24,969	\$25,848	\$30,763
Special transit fares	528	381	328	412	487	414	562	700	550	474
Auxiliary transportation revenue	572	762	574	615	392	412	459	464	547	538
Total operating revenues	20,779	21,804	22,106	21,964	21,591	21,456	25,010	26,133	26,945	31,775
<b>NON-OPERATING REVENUES</b>										
Federal grants and reimbursements (1)	13,282	17,183	12,780	14,298	14,018	12,995	11,421	11,215	13,179	11,971
Federal grant pass-through-Riverfront Transit Center	0	0	0	713	3,208	0	0	0	0	0
Federal grant pass-through-Union Township Park & Ride	0	0	0	0	0	624	0	0	0	0
Federal grant pass-through-Anderson Township Park & Ride	0	0	0	0	0	0	0	350	0	0
Federal grant pass-through-Cincinnati Zoo Transit Hub	0	0	0	0	0	0	0	0	0	728
Federal grant pass-through-Everybody Rides Metro Foundation	0	0	0	0	0	0	0	0	0	98
State grants and reimbursements (1)	4,394	4,332	2,249	982	985	1,039	1,036	1,855	1,659	1,634
State grant pass-through-Union Township Park & Ride	0	0	0	0	0	146	0	0	0	0
Investment income	1,635	2,981	3,130	2,548	439	587	713	1,501	2,023	1,462
Non-transportation revenues	288	491	414	541	513	585	668	706	667	627
Sub-total	19,599	24,987	18,573	19,082	19,163	15,976	13,838	15,627	17,528	16,520
Local operating assistance	22,456	22,265	29,410	32,052	37,544	35,660	36,935	40,491	41,125	43,036
Total non-operating revenues	42,055	47,252	47,983	51,134	56,707	51,636	50,773	56,118	58,653	59,556
<b>TOTAL REVENUES</b>	<b>\$62,834</b>	<b>\$69,056</b>	<b>\$70,089</b>	<b>\$73,098</b>	<b>\$78,298</b>	<b>\$73,092</b>	<b>\$75,783</b>	<b>\$82,251</b>	<b>\$85,598</b>	<b>\$91,331</b>

Amounts are presented in accordance with accounting principles generally accepted in the United States of America.  
 Source: Derived from SORTA's independently audited annual financial statements, except for passenger revenue, and State grants and reimbursements.  
 Note 1: For purposes of the table above, Passenger Fares include farebox revenues, along with subsidies received from FTA, ODOT, Cincinnati Public Schools, and certain local government units to support farebox discounts offered at certain times during the year. Subsidies are classified as Non-Operating Revenues in the Authority's Basic Financial Statements.

Southwest Ohio Regional Transit Authority  
**Revenues by Source—Last Ten Years**



Source: Derived from SORTA's independently audited financial statements.

Southwest Ohio Regional Transit Authority

**Revenues and Operating Assistance—Comparison to Industry Trend Data  
Last Ten Years**

TRANSPORTATION INDUSTRY (1):

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
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%	43.6%	5.8%	49.3%	100.0%
2004	32.9%	16.7%	49.6%	43.4%	7.0%	50.4%	100.0%
2005	32.4%	15.7%	48.1%	44.6%	7.3%	51.9%	100.0%
2006	33.2%	7.0%	40.2%	52.1%	7.7%	59.8%	100.0%
2007	*	*	*	*	*	*	*
2008	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY:

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
1999	32.2%	4.0%	36.2%	42.7%	21.1%	63.8%	100.0%
2000	30.5%	6.1%	36.6%	38.5%	24.9%	63.4%	100.0%
2001	30.7%	5.9%	36.6%	45.2%	18.2%	63.4%	100.0%
2002	29.2%	5.1%	34.3%	45.2%	20.5%	65.7%	100.0%
2003	27.1%	1.7%	28.8%	49.2%	22.0%	71.2%	100.0%
2004	28.8%	2.2%	31.0%	50.4%	18.6%	69.0%	100.0%
2005	32.4%	2.4%	34.8%	50.1%	15.1%	65.2%	100.0%
2006	31.2%	3.2%	34.4%	51.5%	14.1%	65.6%	100.0%
2007	30.8%	3.8%	34.6%	50.0%	15.4%	65.4%	100.0%
2008	34.2%	2.9%	37.1%	48.9%	14.0%	62.9%	100.0%

\* Information source not available

(1) Source: The American Public Transit Association, "APTA 2008 Public Transportation Fact Book".

(2) Includes auxiliary transportation revenues, interest income, and other non-transportation revenues.

(3) Includes local income tax revenues, state operating grants, state fuel tax reimbursements.

Southwest Ohio Regional Transit Authority

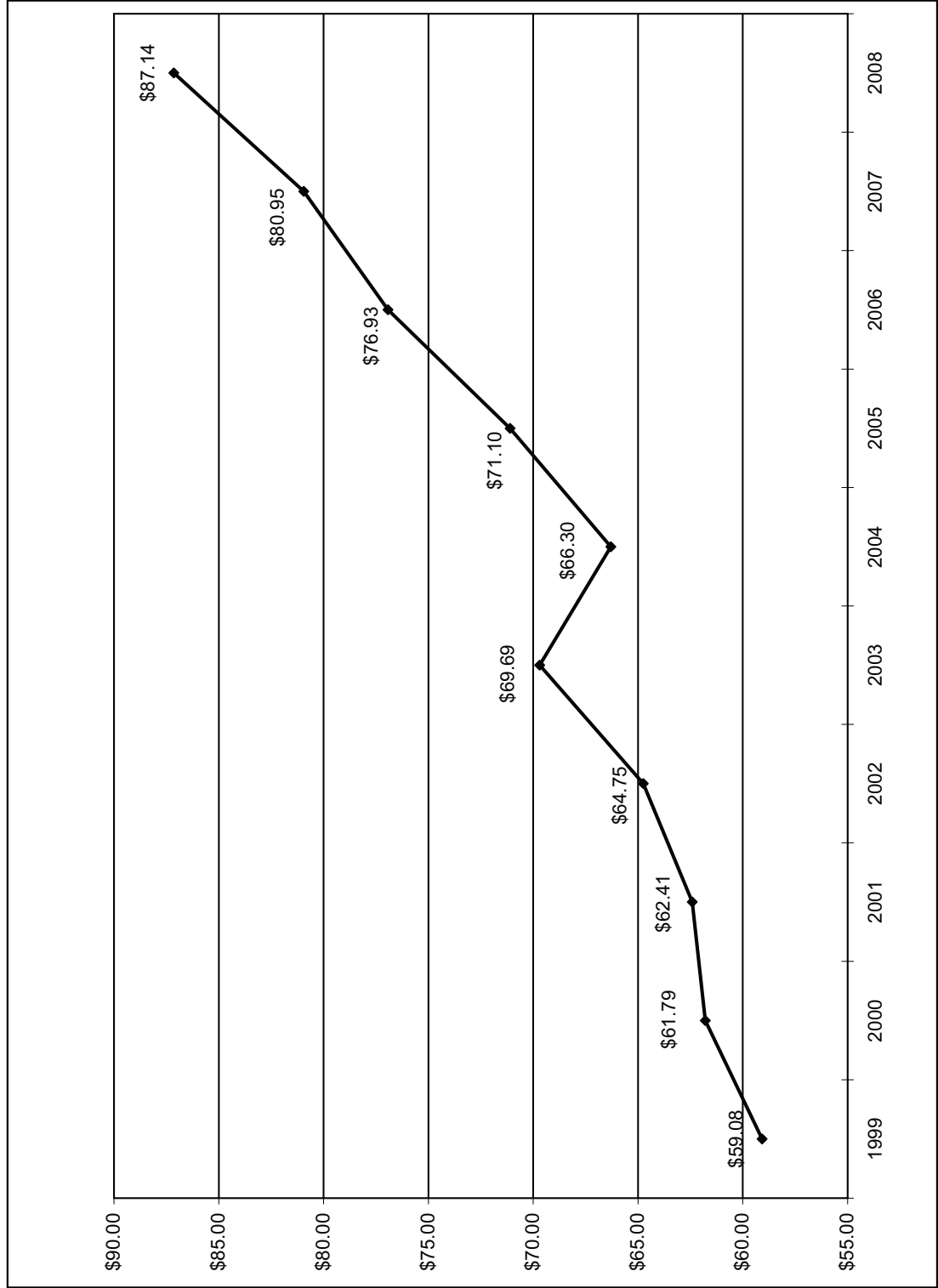
**Expenses by Object Class—Last Ten Years  
(in Thousands)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>OPERATING EXPENSES OTHER THAN DEPRECIATION AND AMORTIZATION:</b>										
Labor	\$31,992	\$33,927	\$35,050	\$35,487	\$36,272	\$35,759	\$35,409	\$37,245	\$38,491	\$40,717
Fringe Benefits	12,704	12,574	13,339	15,767	15,971	16,266	17,256	18,352	19,328	19,938
Materials and supplies consumed	7,439	10,480	7,953	7,309	8,222	8,955	10,597	12,863	14,262	15,618
Services	2,612	3,387	3,044	3,244	2,704	2,660	2,754	3,053	3,039	3,766
Utilities	929	1,080	1,074	1,216	1,341	1,302	1,561	1,638	1,872	1,916
Casualty and liability	410	260	1,724	547	1,343	(335)	288	459	500	486
Taxes	825	859	849	864	896	936	995	1,059	1,053	1,027
Purchased transportation services	4,323	4,398	5,167	6,116	5,840	5,921	5,899	6,106	6,182	5,977
Leases and rentals	518	477	479	488	455	467	506	491	484	534
Miscellaneous	1,092	1,614	1,410	1,347	1,311	391	519	635	387	526
<b>Total</b>	<b>62,834</b>	<b>69,056</b>	<b>70,089</b>	<b>72,385</b>	<b>74,355</b>	<b>72,322</b>	<b>75,784</b>	<b>81,901</b>	<b>85,598</b>	<b>90,505</b>
Grant pass-through-Riverfront Transit Center	0	0	0	713	3,943	0	0	0	0	0
Grant pass-through-UnionTownship Park & Ride	0	0	0	0	0	770	0	0	0	0
Grant pass-through-Anderson Township Park & Ride	0	0	0	0	0	0	0	350	0	0
Federal grant pass-through-Cincinnati Zoo Transit Hub	0	0	0	0	0	0	0	0	0	728
Federal grant pass-through-Everybody Rides Metro Foundation	0	0	0	0	0	0	0	0	0	98
<b>DEPRECIATION AND AMORTIZATION</b>	<b>8,595</b>	<b>8,750</b>	<b>9,011</b>	<b>9,212</b>	<b>9,550</b>	<b>10,090</b>	<b>10,606</b>	<b>11,489</b>	<b>12,051</b>	<b>11,281</b>
<b>TOTAL EXPENSES</b>	<b>\$71,429</b>	<b>\$77,806</b>	<b>\$79,100</b>	<b>\$82,310</b>	<b>\$87,848</b>	<b>\$83,182</b>	<b>\$86,390</b>	<b>\$93,740</b>	<b>\$97,649</b>	<b>\$102,612</b>

Amounts are presented in accordance with accounting principles generally accepted in the United States of America.  
Source: SORTA's independently audited annual financial statements.

Southwest Ohio Regional Transit Authority

**Operating Expenses per Vehicle Hour—Last Ten Years**



Source: SORTA's annual "National Transit Database", filed with the Federal Transit Administration. Operating expenses exclude depreciation and amortization.

## Southwest Ohio Regional Transit Authority

## Operating Expenses—Comparison to Industry Trend Data Last Ten Years

## TRANSPORTATION INDUSTRY (1):

YEAR	LABOR AND FRINGES	MATERIALS AND SUPPLIES	SERVICES	UTILITIES	CASUALTY AND LIABILITIES	PURCHASED TRANSPOR- TATION	OTHER	TOTAL OPERATING EXPENSES (2)
1999	70.9%	9.2%	5.9%	3.3%	2.2%	11.5%	-3.0%	100.0%
2000	69.8%	10.0%	5.7%	3.2%	2.2%	12.2%	-3.1%	100.0%
2001	69.4%	10.1%	5.9%	3.3%	2.1%	12.7%	-3.5%	100.0%
2002	70.3%	9.2%	6.2%	3.1%	2.5%	12.0%	-3.3%	100.0%
2003	69.0%	9.0%	6.0%	3.0%	2.6%	13.4%	-3.1%	100.0%
2004	68.7%	9.1%	5.8%	3.0%	2.6%	13.4%	-2.6%	100.0%
2005	66.9%	10.1%	5.8%	3.2%	2.5%	13.8%	-2.3%	100.0%
2006	66.1%	11.3%	5.9%	3.2%	2.5%	13.4%	-2.4%	100.0%
2007	*	*	*	*	*	*	*	*
2008	*	*	*	*	*	*	*	*

## SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY (3):

YEAR	LABOR AND FRINGES	MATERIALS AND SUPPLIES	SERVICES	UTILITIES	CASUALTY AND LIABILITIES	PURCHASED TRANSPOR- TATION	OTHER	TOTAL OPERATING EXPENSES (2)
1999	71.1%	11.8%	4.2%	1.5%	0.6%	6.9%	3.9%	100.0%
2000	67.3%	15.2%	4.9%	1.5%	0.4%	6.4%	4.3%	100.0%
2001	69.0%	11.4%	4.3%	1.5%	2.5%	7.4%	3.9%	100.0%
2002	70.1%	10.0%	5.4%	1.7%	0.7%	8.4%	3.7%	100.0%
2003	66.7%	10.5%	8.5%	1.7%	1.7%	7.5%	3.4%	100.0%
2004	71.2%	12.3%	4.7%	1.8%	(0.5%)	8.1%	2.4%	100.0%
2005	69.5%	14.0%	3.6%	2.1%	0.4%	7.8%	2.6%	100.0%
2006	67.6%	15.6%	4.1%	2.0%	0.6%	7.4%	2.7%	100.0%
2007	67.6%	16.7%	3.5%	2.2%	0.6%	7.2%	2.2%	100.0%
2008	66.4%	17.1%	5.0%	2.1%	0.5%	6.5%	2.4%	100.0%

\* Information source not available

(1) Source: The American Public Transit Association, "APTA 2007 Transit Fact Book".

(2) Total operating expenses exclude depreciation and amortization.

(3) Source: Derived from SORTA's independently audited annual financial statements.

Southwest Ohio Regional Transit Authority

**City Income Tax–Transit Fund (In Thousands)**

YEAR	BEGINNING BALANCE	.3% INCOME TAX COLLECT	OTHER RECEIPTS	DISTRIBUTIONS TO SORTA (3)	OTHER DISTRIBUTIONS	ENDING BALANCE (1)(2)
1999	15,482	35,407	413	34,879	842	15,581
2000	15,581	35,594	460	37,400	1,220	13,015
2001	13,015	35,904	318	37,695	1,618	9,924
2002	9,924	36,026	387	34,090	769	11,478
2003	11,478	36,991	268	35,525	811	12,401
2004	12,401	38,248	122	37,588	663	12,520
2005	12,520	40,726	247	37,672	701	15,120
2006	15,120	42,631	487	41,950	658	15,630
2007	15,630	44,168	608	43,814	769	15,823
2008	15,823	45,362	331	45,385	727	15,404
		<u>\$391,057</u>	<u>\$3,641</u>	<u>\$385,998</u>	<u>\$8,778</u>	

Source: City of Cincinnati, "Combining Statement of Revenue, Expenditures and Changes in Fund Balance".

(1) Balances include a \$2,000,000 self-insurance reserve, 1998 to 2001 and \$3,000,000, 2002 to 2007.

(2) Balance includes an additional \$2,000,000 working-capital reserve.

(3) Includes operating and capital assistance.



Southwest Ohio Regional Transit Authority

**Outstanding Debt and Outstanding Debt Per Capita – Last Ten Years  
(In Thousands Except Per Capita Amounts)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Outstanding debt by type:										
Capital lease obligation	\$1,376	\$1,376	\$10,013	\$20,013	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000	\$10,000
Total outstanding debt	\$1,376	\$1,376	\$10,013	\$20,013	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000	\$10,000
Population – Hamilton County, Ohio (1)	850	844	845	840	837	832	828	823	842	*
Outstanding debt per capita	\$1.62	\$1.63	\$11.85	\$23.83	\$22.27	\$22.40	\$22.51	\$12.15	\$11.88	*

Notes: SORTA has leased revenue vehicles under master lease-purchase agreements with local financial institutions. Based on the terms of these agreements, they have been classified as capital leases. Investments with the local financial institutions have been made to compensate the amount/term of the capital lease obligation.

\* information is not available

Source:  
(1) Ohio Workforce Informer

Southwest Ohio Regional Transit Authority

**Demographic Statistics**

<u>YEAR (1)</u>	<u>MEDIAN AGE</u>	<u>MEDIAN INCOME</u>
1960	30.3	\$5,483
1970	*	\$10,486
1980	30.0	\$10,673
1990	32.7	\$15,354
2000	35.5	\$24,053

<u>YEAR</u>	<u>K-12 SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE (3)</u>	<u>POPULATION (4)</u>
1999	171,552	3.6%	849,917
2000	172,112	3.6%	843,993
2001	165,922	3.6%	844,569
2002	163,108	5.1%	840,362
2003	161,025	5.1%	836,547
2004	157,301	5.6%	832,250
2005	155,265	5.7%	828,487
2006	157,188	5.0%	822,596
2007	157,002	5.0%	842,369
2008	150,661	5.6%	*

Note: All information presented is for Hamilton County, Ohio.

\* information is not available

Source:

(1) U.S. Bureau of the Census.

(2) MDR's School Directory - Ohio.

(3) Ohio Bureau of Employment Services.

(4) Ohio Workforce Informer.

Southwest Ohio Regional Transit Authority

## Principal Employers in Primary Service Area Calendar Years 2008 and 1999

### 2008

<u>Employer</u>	<u>Nature of Business</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
University of Cincinnati	Public university	15,862	3.8%
Kroger Co.	National grocery retailer	15,600	3.8%
Health Alliance of Greater Cincinnati	Health care system	14,785	3.6%
Procter & Gamble Co.	Consumer products company	12,315	3.0%
Cincinnati Children's Hospital Medical Center	Pediatric medical center	9,464	2.3%
Trihealth Inc.	Health care system	9,400	2.3%
Fifth Third Bank	Financial services company	7,645	1.9%
GE Aviation	Aircraft engine supplier	7,400	1.8%
Mercy Health Partners	Health care system	6,948	1.7%
Hamilton County	Local government	<u>6,304</u>	<u>1.5%</u>
	Total	<u>105,723</u>	<u>25.7%</u>
	Total County Employment	<u>413,600</u>	

### 1999

<u>Employer</u>	<u>Nature of Business</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Procter & Gamble Co.	Consumer products company	15,500	3.7%
Health Alliance of Greater Cincinnati	Health care system	14,100	3.4%
Greater Cincinnati Federal Government Employees	Federal government	13,595	3.3%
University of Cincinnati	Public university	13,452	3.2%
Kroger Co.	National grocery retailer	10,444	2.5%
City of Cincinnati	Municipal government	7,670	1.8%
GE Aircraft Engines	Aircraft engine supplier	7,500	1.8%
Cincinnati Public Schools	Public school system	7,469	1.8%
Trihealth Inc.	Health care system	7,455	1.8%
Paramount's Kings Island	Theme park	<u>6,181</u>	<u>1.5%</u>
	Total	<u>103,366</u>	<u>24.8%</u>
	Total County Employment	<u>416,400</u>	

Source: 2008 Business Courier Book of Lists  
Business Courier Book of Business Lists—Winter 2000

Southwest Ohio Regional Transit Authority

**Operating Statistics—Last Ten Years**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>SYSTEM RIDERSHIP (1)</b>										
Motor bus .....	26,172,056	26,400,888	24,813,422	24,108,188	23,872,078	23,052,379	25,900,339	25,294,117	25,897,973	25,833,909
Demand responsive .....	226,598 (4)	236,752	253,124	267,664	271,448	267,271	258,013	261,449	249,528	238,352
<b>AVERAGE WEEKDAY</b>										
<b>SYSTEM RIDERSHIP (1)</b>										
Motor bus .....	86,376	85,747	82,416	83,531	82,656	80,261	87,320	85,990	87,605	87,066
Demand responsive .....	728	816	870	918	938	915	899	913	866	824
<b>VEHICLE MILES OPERATED (1)</b>										
Motor bus .....	13,543,419	13,706,584	13,572,038	13,484,565	13,560,173	13,326,524	12,931,616	12,844,463	12,516,090	12,638,029
Demand responsive .....	2,413,173	2,893,723	2,844,335	2,946,010	2,743,402	2,678,869	2,470,081	2,413,080	2,328,126	2,216,026
<b>AVERAGE WEEKDAY</b>										
<b>VEHICLE MILES OPERATED (1)</b>										
Motor bus .....	46,335	46,775	46,201	46,096	46,354	45,099	43,502	43,313	42,136	42,413
Demand responsive .....	8,321	9,975	9,771	10,108	9,476	9,169	8,603	8,428	8,082	7,656
<b>REVENUE MILES (1)</b>										
Motor bus .....	11,612,657	11,705,868	11,663,582	11,483,950	11,511,422	11,291,291	11,018,173	11,016,477	10,771,594	10,774,532
Demand responsive .....	2,015,836	2,421,249	2,382,661	2,552,926	2,404,108	2,324,105	2,135,177	2,058,816	1,973,788	1,922,900
<b>PASSENGER MILES (1)</b>										
Motor bus .....	183,470,307	152,886,096	148,412,646	134,240,845	129,392,725	133,255,711	139,002,211	128,950,847	124,944,312	127,342,586
Demand responsive .....	2,436,564	2,397,049	2,662,800	2,438,244	2,820,444	2,471,802	2,483,351	2,736,332	2,567,530	2,558,818

(Continued)

Southwest Ohio Regional Transit Authority

**Operating Statistics—Last Ten Years (Continued)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>VEHICLE HOURS OPERATED (1)</b>										
Motor bus .....	940,030	954,812	954,499	952,513	957,369	938,438	907,290	911,536	909,219	913,117
Demand responsive .....	141,785	162,691	168,479	176,488	166,202	164,052	158,632	157,647	148,114	134,974
<b>VEHICLE REVENUE HOURS (1)</b>										
Motor bus .....	861,945	873,696	874,376	871,122	875,770	858,610	830,384	831,841	815,878	821,178
Demand responsive .....	119,390	134,722	138,253	145,949	130,477	124,912	117,240	118,654	114,006	108,546
<b>DIESEL FUEL CONSUMPTION (IN GALLONS) (1)</b>										
	3,368,953	3,456,053	3,497,718	3,485,856	3,459,098	3,385,152	3,334,875	3,453,455	3,427,677	3,597,598
<b>FLEET REQUIREMENTS (DURING PEAK HOURS) (1)</b>										
Motor bus .....	358	362	360	358	359	344	325	325	325	324
Demand responsive .....	40	46	46	53	48	43	43	48	48	48
<b>TOTAL REVENUE VEHICLES DURING PERIOD (1)</b>										
Motor bus .....	426	438	481	432	432	430	390	390	390	388
Demand responsive .....	49	52	94	53	53	53	53	53	53	51
<b>NUMBER OF FULL TIME EMPLOYEES (2)</b>										
	844	818	831	824	787	793	786	785	801	814

Sources:

- (1) SORTA's annual "National Transit Database", filed with the Federal Transit Administration.
- (2) Human Resources Department "Personnel Distribution-Department Breakdown" report.

Southwest Ohio Regional Transit Authority

**Capital Asset Information as of December 31, 2008**

**ACCESS**

1801 Transpark Drive, Cincinnati, Ohio 45229-1239

<b>Building Total Sq. Footage</b>	<b>76,516</b>
Which includes:	
Office space	9,685
Operations	21,480
Maintenance	11,793
Storage	33,560
<b>Real Estate Acreage</b>	<b>5.65</b>
Sq. ft. parking lot	41,430

**SILVERTON**

1000 Montgomery Road, Cincinnati, Ohio 45236-3835

<b>Building Total Sq. Footage</b>	<b>3,237</b>
Which includes:	
Office space	1,260
Operations	1,927
Maintenance	0
Storage	50
<b>Real Estate Acreage</b>	<b>2.25</b>
Sq. ft. parking lot	28,800

**Park And Ride Spaces** **120**

**FOREST PARK, PARK AND RIDE**

1160 Kemper Meadow Drive, Cincinnati, Ohio 45240

<b>Real Estate Acreage</b>	<b>2.34</b>
<b>Park And Ride Spaces</b>	<b>120</b>

(continued)

Southwest Ohio Regional Transit Authority

**Capital Asset Information as of December 31, 2008 (Continued)**

**PARATRANSIT VEHICLES**

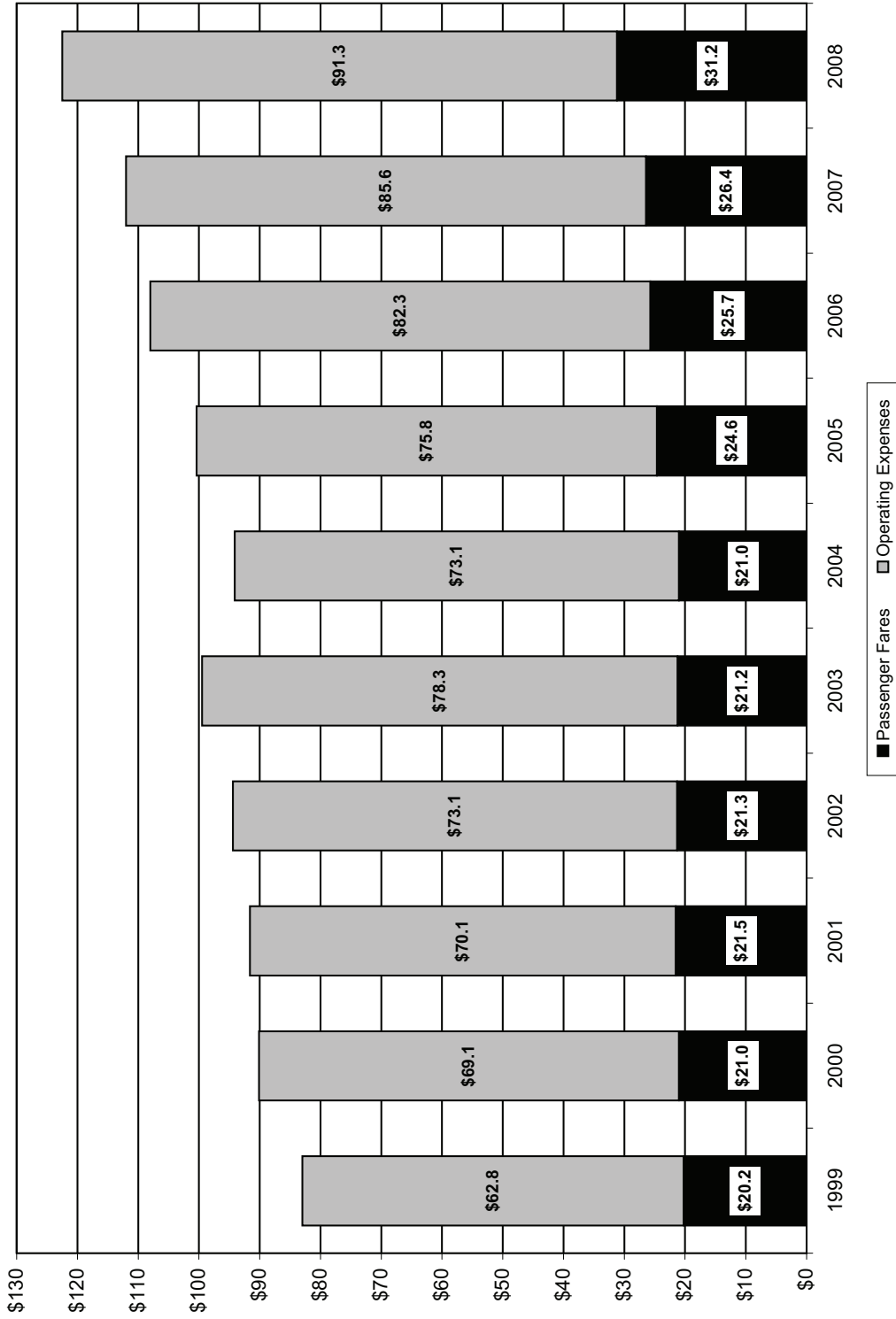
<b>Quantity</b>	<b>Year</b>	<b>Manufacturer</b>
5	2001	Eldorado
12	2002	Eldorado
3	2005	Eldorado
7	2006	Ford
15	2007	Eldorado
9	2008	Eldorado
<b>51</b>	<b>Total Paratransit Vehicles</b>	

**BUSES**

<b>Quantity</b>	<b>Year</b>	<b>Manufacturer</b>
18	1995	Gillig
64	1996	Gillig
59	1997	Gillig
40	1998	Gillig
28	1999	Gillig
7	2000	Gillig
51	2001	Gillig
38	2002	Gillig
23	2004	Gillig
39	2006	Gillig
1	2008	Gillig
20	2008	New Flyer
<b>388</b>	<b>Total Buses</b>	

Southwest Ohio Regional Transit Authority

**Passenger Fares vs. Operating Expenses—Last Ten Years**

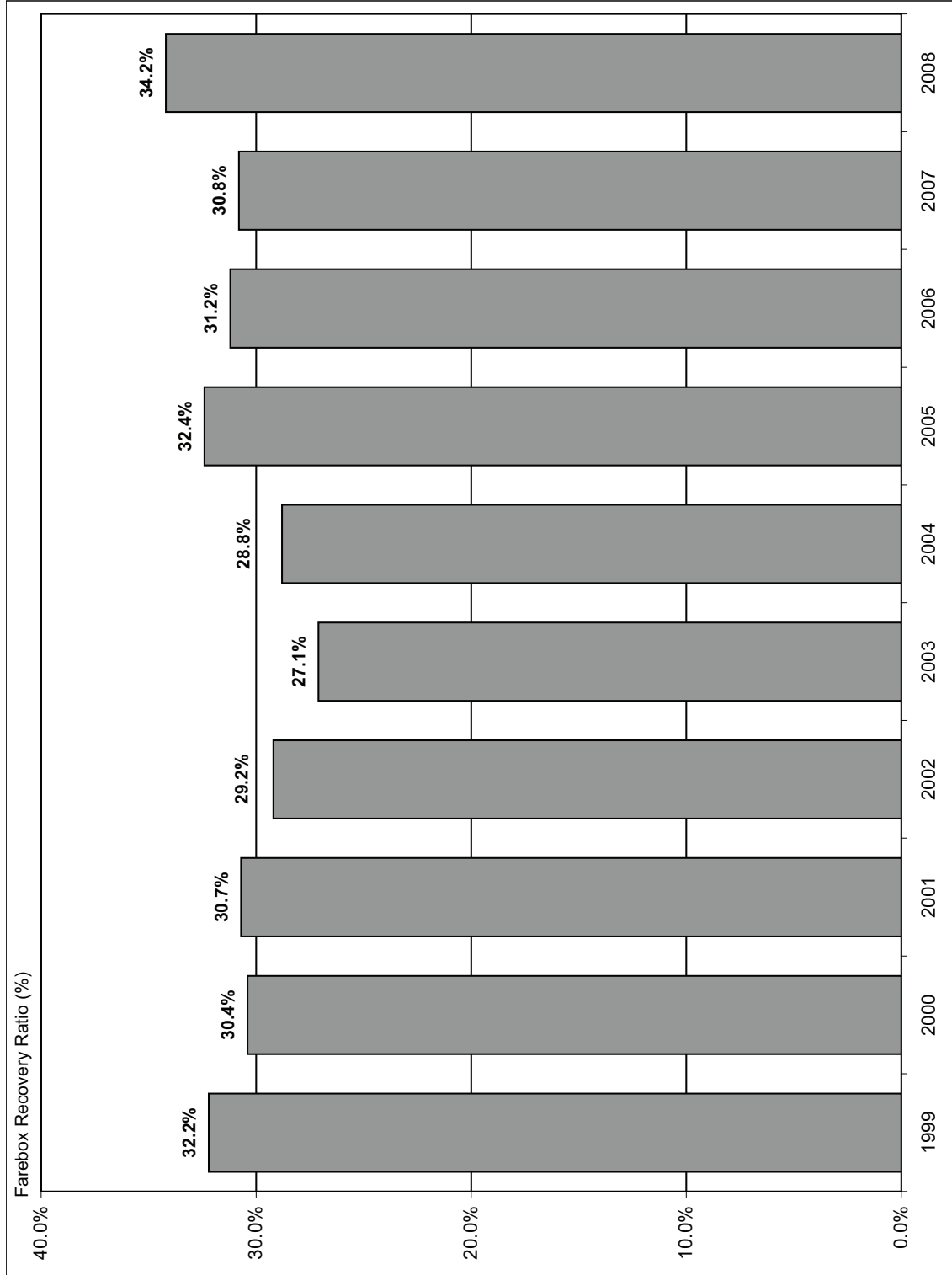


Source: Derived from SORTA's independently audited financial statements. Passenger fares include passenger and special transit revenues, subsidies from FTA, ODOT, Cincinnati Public Schools and certain local governments to support farebox discounts offered at certain times during the year; operating expenses exclude depreciation and amortization.



Southwest Ohio Regional Transit Authority

**Passenger Fares Recovery Ratio—Last Ten Years**



Source: SORTA's independently audited financial statements.  
Recovery ratio is calculated as passenger fares divided by operating expenses excluding depreciation and amortization.

Southwest Ohio Regional Transit Authority

**Revenue Rates—Last Ten Fiscal Years**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>CASH OR TOKEN FARES</b>										
Zone 1 fare (3)							\$1.00	\$1.00	\$1.00	\$1.50
Zone 2 fare (3)							\$1.50	\$1.50	\$1.50	\$2.00
Zone 3 fare (3)							\$2.00	\$2.00	\$2.00	\$2.50
Weekday peak hours (6 to 9 am and 3 to 6 pm)	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80				
Weekday non peak hours	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65				
Weekday zone fare (zone 2) (3)			\$0.30	\$0.30	\$0.30	\$0.30				
Weekday zone fare (zone 3) (3)			\$0.60	\$0.60	\$0.60	\$0.60				
Weekday zone fare (per zone, beyond first zone) (3)	\$0.30	\$0.30								
Parking Meeter shuttle (Monday - Friday)	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.50	\$0.50	\$0.50	\$0.50
Downtown midday shuttle (Monday - Friday)	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50				
Weekend flat rate (no zone fares apply)	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.15	\$0.25	\$0.25	\$0.25	\$0.25
Weekday Transfers							\$1.50	\$1.50	\$1.50	\$1.50
Transfers							\$2.00	\$2.00	\$2.00	\$2.00
Access Zone 1 (1)	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00				
Access Zone 2 (1)	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75				
Access weekday (1)										
Access weekend (1)										
Express Service (Monday - Friday) (Butler County)							\$2.25	\$2.25	\$2.75	\$3.00
Express Service (Monday - Friday) (Warren County)							\$2.00	\$2.00	\$3.25	\$3.75
Express Service (Monday - Friday) (Eastgate, Harrison)							\$2.00	\$2.00	\$2.50	\$2.50
Eastgate Express Service (Monday - Friday)										
Express Services (Monday - Friday)	\$1.50	\$1.50	\$1.75	\$1.75	\$1.75	\$1.75				
Harrison Express Service (Monday - Friday)	\$1.75	\$1.75	\$2.00	\$2.00	\$2.00	\$2.00				
Warren County and Fort Washington Way Service Fares	\$1.50									
<b>MONTHLY PASSES</b>										
MetroCard Zone 1 Pass (zone one) (3)	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$40.00	\$40.00	\$40.00	\$55.00
MetroCard A Pass (zone one, weekdays only) (3)										
MetroCard Zone 2 Pass (two zones) (3)	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$52.00	\$60.00	\$60.00	\$60.00	\$75.00
MetroCard B Pass (two zones, weekdays only) (3)										
MetroCard Zone 3 Pass (three zones) (3)	\$56.00	\$56.00	\$70.00	\$70.00	\$70.00	\$72.00	\$80.00	\$80.00	\$80.00	\$95.00
MetroCard C Pass (three zones, weekdays only) (3)										
MetroCard Zone 4 Pass (Butler County)										
MetroCard All Pass (express routes and three zones)	\$45.00	\$45.00	\$50.00	\$50.00	\$60.00	\$60.00	\$90.00	\$90.00	\$105.00	\$115.00
Metro/Tank Pass (zone one) (3)	\$19.00	\$19.00	\$19.00	\$19.00	\$19.00	\$19.00	\$70.00	\$70.00	\$70.00	\$85.00
Metro/Tank Pass (zone one, weekdays only) (3)	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$19.00	\$24.50	\$24.50	\$24.50	\$32.50
Fare Deal (2) (three zones) (3)										
Weekend Pass										

(continued)

Southwest Ohio Regional Transit Authority

**Revenue Rates—Last Ten Fiscal Years (Continued)**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>DISCOUNT FARES (Fare Deal (2) and Children under 45")</b>										
Zone 1 fare							\$0.50	\$0.50	\$0.50	\$0.75
Zone 2 fare							\$0.75	\$0.75	\$0.75	\$1.00
Zone 3 fare							\$1.00	\$1.00	\$1.00	\$1.25
Fare Deal (2) flat rate (no zone fares apply)	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40				
Children under 45" flat rate (no zone fares apply)	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40				

(1) Demand-responsive, wheelchair lift-equipped paratransit vehicles.

(2) Photo identification card, good in all three zones, for riders 65 and over, Medicare enrolled and people with disabilities.

(3) Three zones - 1) City of Cincinnati, 2) Hamilton County outside City 3)Clermont County.

(4) The revenue base to which these rates are applied can be found in Operating Statistics—Last Ten Years—System Ridership (page 55).

Southwest Ohio Regional Transit Authority

**Full-time-Equivalent Employees as of Fiscal Year-End  
Authority Employees—Last Ten Years**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Vehicle Operations	600.0	609.0	617.0	614.0	607.0	591.0	595.0	595.0	579.0	585.0
Vehicle Maintenance	193.0	188.0	194.0	199.0	187.0	186.0	182.0	187.0	195.0	202.0
Non-Vehicle Maintenance	28.0	29.0	31.0	28.0	30.0	29.0	24.0	29.0	34.0	30.0
General Administration	95.5	94.0	97.0	100.5	88.0	87.5	85.0	86.5	90.0	93.5
Paratransit Service	8.5	6.5	9.5	8.5	9.5	9.0	9.0	10.5	15.0	9.5
<b>Total Employees</b>	<b>925.0</b>	<b>926.5</b>	<b>948.5</b>	<b>950.0</b>	<b>921.5</b>	<b>902.5</b>	<b>895.0</b>	<b>908.0</b>	<b>913.0</b>	<b>920.0</b>

Notes: Full-time-equivalent employees totals for General Administration and Paratransit Service include one full-time equivalent employee to two part-time employees.

Southwest Ohio Regional Transit Authority

**Miscellaneous Statistics**

Date of creation of SORTA by Hamilton County Board of Commissioners	October 2, 1968
Date agreement signed to take over operation of Cincinnati Transit, Inc.	February 8, 1973
Date SORTA took over operations	August 15, 1973
Form of government	Board of Trustees
Number of Trustees	9
County in which SORTA operates	Hamilton County, Ohio with small parts of Butler County, Ohio, Clermont County, Ohio and Warren County, Ohio
Type of tax support	City of Cincinnati income tax 0.3%
Size of service area (square miles)	252
Miles of route	636
Number of routes	59
Wheelchair accessible standard buses	376
Average system speed (miles per hour)	
Motor bus	13.8
Demand responsive	16.4
Customer information calls answered	636,274





**Mary Taylor, CPA**  
Auditor of State

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY**  
**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**JULY 2, 2009**