

**SOUTHWEST OHIO REGIONAL  
TRANSIT AUTHORITY**

Reports Issued Pursuant to the OMB Circular A-133  
for the Year Ended December 31, 2009





Mary Taylor, CPA  
Auditor of State

Board of Trustess  
Southwest Ohio Regional Transit Authority  
602 Main Street, Suite 1100  
Cincinnati, Ohio 45202

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, 2009 through December 31, 2009. 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

September 21, 2010

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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, 2009, and have issued our report thereon dated June 29, 2010. 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 deficiency in internal control* 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 material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 over financial reporting that might be deficiencies, 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.

Board of Trustees  
Southwest Ohio Regional Transit Authority

### **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 29, 2010.

This report is intended solely for the information and use of the Authority management, Board of Trustees, others within the entity, 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 Gunderson LLP*

Toledo, Ohio  
June 29, 2010

**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, 2009. 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, 2009.

### **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 in accordance with OMB Circular A-133, 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 entity's internal control over compliance.



Board of Trustees  
Southwest Ohio Regional Transit Authority

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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, 2009, and have issued our report thereon dated June 29, 2010. 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 Authority management, Board of Trustees, others within the entity, 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 29, 2010

**Southwest Ohio Regional Transit Authority**

**Supplemental Schedule of Expenditures of Federal Awards  
for the year ended December 31, 2009**

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-X133	\$5,352
		OH-90-X176	81,090
		OH-90-X203	20,478
		OH-90-X265	42,305
		OH-90-X319	30,055
		OH-90-X343	17,607
		OH-90-X508	45,067
		OH-90-X521	3,217,711
		OH-90-X584	181,847
		OH-90-X628	664,046
		OH-90-X669	9,556,717
		OH-90-X678	3,045,830
		OH-95-X002	4,357,258
		OH-95-X015	5,041,642
		OH-95-X024	1,070,749
		OH-95-X028	3,105,031
		OH-96-X004"ARRA"	4,191,540
		OH-96-X004	<u>505,060</u>
<b>Total CFDA #20.507</b>			<u>35,179,385</u>
Direct Program:			
Federal Transit Administration-Capital Improvements Grant			
	20.500	OH-03-0276	8,472
		OH-03-0292	529,438
		OH-03-0295	71,130
		OH-04-0026	<u>2,764,577</u>
<b>Total CFDA #20.500</b>			<u>3,373,617</u>
Direct Program:			
Federal Transit Administration-Job Access- Reverse Commute			
	20.516	OH-37-4050	<u>291,805</u>
Direct Program:			
Federal Transit Administration-Clean Fuels			
	20.519	OH-58-0001	412,498
		OH-58-0002	714,000
		OH-58-0003	776,000
		OH-58-0004	<u>823,000</u>
<b>Total CFDA #20.519</b>			<u>2,725,498</u>

(continued)

**Southwest Ohio Regional Transit Authority**

**Supplemental Schedule of Expenditures of Federal Awards  
for the year ended December 31, 2009 (continued)**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal and Pass-through Grant Number	Grant Expenditures
<b>Total-U.S. Department of Transportation-Federal Transit Cluster</b>			<u>41,570,305</u>
Direct Program:			
Federal Highway Administration-Highway <b>Planning and Construction</b>	20.205	UPTC311M093	<u>1,392,556</u>
<b>U.S. Department of Homeland Security</b>			
Passed-through the Ohio Department of Public Safety-Emergency Management Agency	97.075	DPSF E101 2007-RL-T7-0113	87,685 <u>1,866</u>
<b>Total CFDA #97.075</b>			<u>89,551</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$43,052,412</u></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, 2009**

**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, 2009. 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, 2009**

**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, 20.507 and 20.519  
20.205 Federal Transit Cluster  
Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$1,291,572

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, 2009**

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, 2009

Melody Sawyer Richardson  
Chair  
Board of Trustees

Marilyn G. Shazor  
CEO

Prepared by:  
Department of Accounting and Budget





Southwest Ohio Regional Transit Authority

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2009

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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**

Minette Cooper  
Margaret C. Gutsell  
J. Thomas Hodges  
Gregg L. Hotham  
Christine L. Matacic  
Sean Rugless  
Karl B. Schultz  
Douglas E. Sizemore  
James R. Tarbell

Barry F. Frank  
**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 29, 2010

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

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Southwest Ohio Regional Transit Authority (SORTA or "The Authority") for the fiscal year ended December 31, 2009. 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 assumes full responsibility for the accuracy, completeness and fairness of this CAFR presentation.

SORTA's independent auditor, Clifton Gunderson LLP, has issued an unqualified ("clean") audit opinion on SORTA's financial statements for the fiscal year ended December 31, 2009. Clifton Gunderson's report can be found on pages 13-14 of this CAFR.

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, 2009 contained no findings.

We are very proud that the Governmental Finance Officers Association of the United States and Canada (GFOA) has again awarded a Certificate of Achievement for Excellence in Financial Reporting to SORTA for its comprehensive annual financial report for the fiscal year ended December 31, 2008, representing the 18th consecutive year the Authority has received this award. 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 stringent 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 to determine its eligibility for another certificate.

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, 2009 and 2008, and the supplemental schedule of revenues, expenses, and changes in net assets—budget and actual for the year ended December 31, 2009.
- **Statistical Section** provides financial, economic, and demographic information which is useful for indicating trends for comparative fiscal periods.

## PROFILE OF GOVERNMENT

### General

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. Additional information about these funding sources can be found in Note 3 to the Financial Statements.

### Services

SORTA provides public transportation services through two operating divisions. Its Metro division provides fixed route bus service throughout the service area. Currently, there are 54 fixed bus routes, including both local service and commuter express service on weekdays during rush hours. Operating hours generally run from about 4:00 a.m. to 2:00 a.m. the next day, seven days a week, including holidays. Based on a review of 2000 U.S. Census data, it is estimated that approximately 80% of the population in SORTA's service area lives within three quarters of a mile of Metro fixed route service. In 2009, Metro operated a total of 893,000 hours of service over 12.2 million miles, providing approximately 22.9 million rides.

SORTA's Access operating division provides demand-responsive, shared-ride service in Hamilton County for persons whose disabilities prevent them from riding Metro fixed route service. It is managed and operated by a private contractor which uses SORTA's fleet of 46 lift-equipped vehicles and 7 ambulatory vehicles. SORTA's Director of Accessible Services provides oversight for this service. In 2009, Access provided 234,000 passenger trips and 2.1 million vehicle miles.

## Management

SORTA is managed by a Board of Trustees (the "Board") which is vested by Ohio law with the powers necessary to manage SORTA. 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 from nine to thirteen. The reorganized Board of Trustees is comprised of 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 seventeen.

The administration of SORTA, subject to the policies and supervision of its Board of Trustees, is directed by the Chief Executive Officer (CEO), whose services are provided through a contract with Professional Transit Management. The CEO selects the senior staff who manage the day-to-day operations of the Authority. A Table of Organization which depicts the key functional responsibilities is shown on page 11 of this Introductory Section.

## Facilities

SORTA maintains six facilities at the following locations:

- **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, is 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 Access division operates.

## YEAR IN REVIEW

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the Authority's basic Financial Statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Without question 2009 was a very challenging year for SORTA, as it was for many transit authorities around the country. The dual effects of the national economic recession and the sharp decline in gasoline prices, which began in the fourth quarter of 2008 and remained low throughout 2009, had a significant negative impact on SORTA's funding sources and ridership levels. About half of Metro riders use the service for transportation to and from work. As unemployment in Metro's service area grew to more than 10% during 2009, ridership suffered accordingly with the decline in jobs. Continued low gasoline prices compared to the historic highs in the summer of 2008 reduced the cost of driving and also kept ridership levels down. By the end of the year, total ridership had declined more than 11% from 2008 levels, and passenger fare revenue dropped by almost \$1 million, or 4.3%.

Furthermore, the recession's effect on the City of Cincinnati Income Tax-Transit Fund, which provides nearly half of SORTA's operating funds every year, was also significant. In July 2009, the City informed SORTA that lower than expected tax receipts had forced a reduction in the Transit Fund revenues available to SORTA in 2009 of nearly \$1 million and an additional reduction in 2010 of \$6.1 million, or 13.2% of SORTA's total Transit Fund allocation.

Additional Federal funding from the American Recovery and Reinvestment Act ("ARRA", or "stimulus" funding) enabled SORTA to mitigate the impact of these losses in 2009. But with the economic and financial outlook for 2010 still grim, and without additional stimulus or other funding sources, SORTA was ultimately forced to implement a 12% reduction in service and a \$0.25 increase in its base fare effective December 27, 2009. Fares for SORTA's Access paratransit service were also increased, and the service area was reduced to the minimum required by the Americans with Disabilities Act. Other cost savings measures were enacted as well, including a 12% reduction in administrative headcount in November.

Not all the news in 2009 was negative, however. The year also saw a number of exciting new developments, including the following:

- Using capital grant funds received in prior years, the Authority was able to modernize its fleet and reduce operating expenses by replacing 73 older buses which had aged beyond their 12-year useful life with 73 new, more fuel efficient buses, including six hybrid-electric buses and five 60-foot articulated buses. The first such vehicles in Metro's fleet, hybrid buses will reduce harmful emissions by more than 90 percent and fuel use by than 30 percent, and articulated buses can carry up to twice as many passengers for about the same operating costs.
- SORTA was able to allocate \$8.7 million of the ARRA funding it received in 2009 to begin work on replacing the aging CAD/AVL communications systems on its entire fleet of buses. The ability to pay for this project with ARRA funds was a significant benefit to the Authority, as the current system has become obsolete and finding alternatives to fund a project of this magnitude in the current economic environment would have been quite difficult.
- We opened a new transit hub at the Cincinnati Zoo and Botanical Garden. This new facility, built in partnership with the zoo, received LEED (Leadership in Energy and Environmental Design)

Gold certification for including LED lighting powered by solar panels and a rain garden that utilizes rainwater runoff from the roof. The hub was built as part of the Uptown Crossing Joint Development Transit Project, which received almost \$3.5 million in funding from the Federal Transit Administration.

Although the overall economic outlook for 2010 remains grim, we are optimistic that the actions taken in 2009, painful as they were, will enable SORTA to operate within its budget for at least the next couple years without further reductions in service or increases in fares.

## ECONOMIC CONDITION AND OUTLOOK

### General

Hamilton County 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 2.1 million. Hamilton County's population was 842,369, which comprises roughly 40 percent of the 13-county total. The next U.S. Census will be conducted in 2010 and estimates are for the region to stabilize or even experience slight growth. This is predicted to be the result of the efforts of local political leaders such as Cincinnati Mayor Mark Mallory to encourage greater census participation.

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, did negatively impact ridership in 2009.

The local economy has remained fairly stable through the national recession that began in the fourth quarter of 2008 and, according to financial experts, may be in its final stages. There have been a number of negatives attributable to the recession, among them:

- The Cincinnati region's Gross Regional Product (GRP) fell an estimated 2.7 percent in 2009
- Regional unemployment averaged 9.9 percent for the year
- New residential construction fell nearly 76 percent to 3,100 units
- New commercial square footage declined 54 percent to its lowest level in 10 years

On the positive side, a number of other factors contributed to Cincinnati's continued economic strength, including:

- **Access to transportation.** Cincinnati offers unrivaled access to the nation through its highly developed highway system. 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 also serve the Cincinnati region: Amtrak, CSX, Conrail and Norfolk Southern. For river transportation, Port Cincinnati is the fifth largest inland port in the nation. 52.3 million tons pass annually through Cincinnati USA on the Ohio River and its milder climate offers year-round transport.

The Cincinnati/Northern Kentucky International Airport (CVG) was once ranked #1 in the U.S. and #10 in the world by the International Air Transport Association. A 2003 economic impact study done by the University of Cincinnati Center for Economic Education found that the airport contributed more than \$4.5 billion to the local economy. However, CVG has recently undergone a series of service reductions as a result of the financial troubles of its primary tenant, Delta Airlines. The most recent blow came with the announcement that Delta would be closing its Concourse A in May, 2010 due to service consolidations in the wake of its merger with Northwest Airlines. The May 2010 schedule will realign flight activity to provide greater flexibility for local travelers to travel to and from major markets in the same day; however, the schedule changes will reduce the number of daily peak aircraft departures from 55 to 32, a 45% decrease. In addition to reduced flights, this closure will result in the loss of up to 800 jobs. On a wider scale, economic experts predict that the region could lose up to \$1,000 per traveler for every person who does not fly to, from or through the Cincinnati airport as a result of these cuts.

- **Business diversity.** Small businesses and major corporations work together 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 the auto industry, such as Detroit, Kokomo and Elkhart, Indiana, and our neighbor to the north, Wilmington, Ohio, which lost its major employer DHL Airlines.

Here in Greater Cincinnati, business has developed along "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 Cincinnati, including AK Steel, Ashland Inc., Chiquita Brands International, Fifth Third Bancorp, The Kroger Co., Macy's Inc., Omnicare, Procter & Gamble Co. and Western & Southern Financial.

- **Employment.** Historically, unemployment rates in Hamilton County have lagged behind the national average. Although this trend did not hold true for the middle part of this decade, the area has fared better than the rest of the nation during the recession of the last couple years. 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>
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%
2009	8.9%	10.2%	9.3%

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

- **Housing.** Local conditions reflect the current downturn in the national market. Locally, housing inventory remains high, with many builders ceasing or combining operations, and major home shows such as Homearama are being cancelled. However, low interest rates combined with an overall low cost of living and continued availability of land have sheltered Greater Cincinnati from the national homebuilding and real estate crises better than many markets of similar size. On the plus side, strong activity in downtown residential development continues to drive the market, and new projects are coming online, particularly north of the central business district in a historical area known as Over the Rhine. Planned developments include the reconstruction of green space known as Washington Park, the grand opening of a new School for the Creative and Performing Arts, the renovation of Music Hall (a historic performing arts space) and continued housing units in the Gateway Quarter.

Looking ahead, Greater Cincinnati's economic outlook, while not rosy, appears to be positioned to take advantage of a minor recovery in the coming years. The Cincinnati USA Regional Chamber's consensus forecast presented in its 2010 Economic Outlook (from which some of the data presented here derives) predicts that the current recession is, or is nearly, at the end. However, with continued weakness in the labor market and a very slow recovery expected in the housing market, only modest growth is forecasted for 2010.

## FUTURE PROJECTS

Initiatives planned for 2010 include:

- Install new CAD/AVL bus communications systems paid for with \$8.7 million in stimulus funding from the Federal government.
- Add three more 40-foot diesel/electric hybrid buses to Metro's fleet, using Federal stimulus funding.
- Construct new transit hub on the west side of town offering enhanced passenger waiting areas and operator amenities such as a restroom.
- Launch marketing/advocacy campaign based on the national "Public Transportation Takes You There" effort focusing on how transit benefits the economy, saves the environment, leads to energy independence and improves quality of life.
- Take delivery of four 30-foot diesel/electric hybrid buses for use on an arts/cultural circulator shuttle service. These unique buses will also be paid for using Federal stimulus funding.

## **FINANCIAL INFORMATION**

### **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.

### **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.

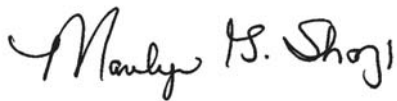
All internal control evaluations occur within the above framework. Management believes that SORTA's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Management also believes that the data, as presented herein, is 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.

## OTHER INFORMATION

### 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 also extended to the Communications Department staff for their assistance. SORTA wishes to thank all who contributed to this project.



Marilyn G. Shazor  
CEO

Southwest Ohio Regional Transit Authority

**Board of Trustees and Administration as of December 31, 2009**

**Members of the Board of Trustees**

Melody Sawyer Richardson, Chair  
Minette Cooper  
Margaret C. Gutsell  
Gregg L. Hotham  
Edwin H. Humphrey  
William L. Mallory, Sr.  
Christine L. Maticic  
Sean Rugless  
Douglas E. Sizemore  
James R. Tarbell  
Lamont Taylor  
2 open seats

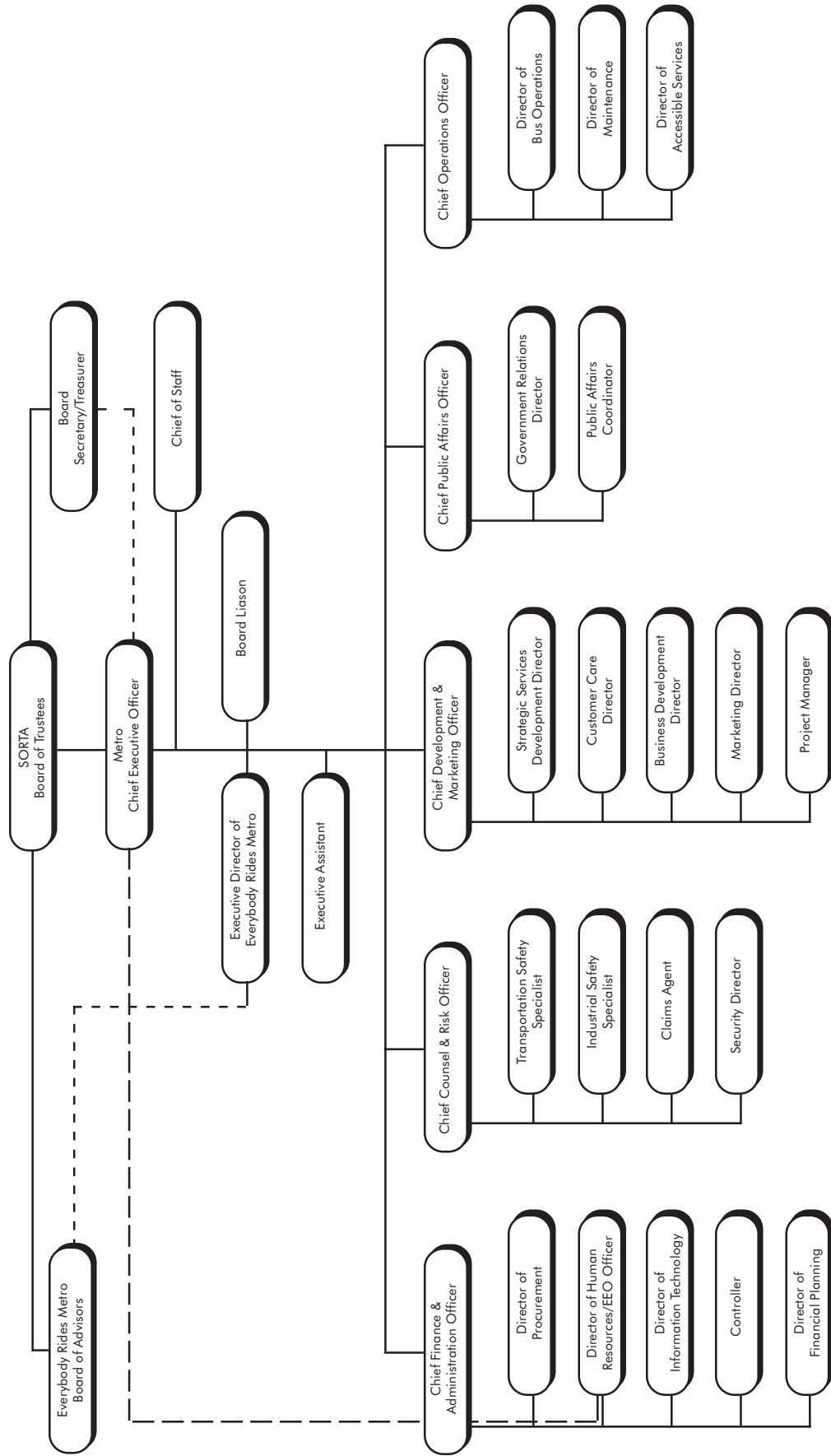
Barry F. Frank, secretary/treasurer

**Administration**

Marilyn G. Shazor, chief executive officer  
William Desmond, chief counsel & risk officer  
J. Darryl Haley, chief marketing & development officer  
Sallie L. Hilvers, chief public affairs officer  
Mary B. Moning, chief operations officer  
Chief financial & administrative officer (open)

Stephen M. Ackman, director, Human Resources  
Lisa M. Aulick, director, ADA & Accessible Services  
David A. Etienne, director, Marketing and Communications  
Timothy Harrington, director, Information Technology  
Michael P. Restle, Controller  
Timothy J. Reynolds, director, Transit Development  
Jerry Roetting, director, Procurement  
Joseph Routt, director, Fleet & Facilities  
William R. Spraul, director, Transit Operations  
Michael Weil, director, Transit Security

Southwest Ohio Regional Transit Authority  
**Table of Organization**  
**December 31, 2009**



# 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, 2008

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.



A stylized handwritten signature in black ink, appearing to read "J.R.E.", positioned above the title "President".

President

A handwritten signature in black ink that reads "Jeffrey R. Emer", positioned above the title "Executive Director".

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, 2009 and 2008, 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, 2009 and 2008, 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.

Board of Trustees  
Southwest Ohio Regional Transit Authority

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2010 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 15 – 20 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. 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, 2009, 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, 2009 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 29, 2010



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, 2009. 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

- The Authority's net assets at the end of 2009 were \$90.9 million, which represents an increase of \$20.1 million, or 28.3%, over the balance at the end of 2008;
- Operating revenue for the year was \$23.0 million, which represents a decrease of about \$1.0 million, or 4.0%, from 2008;
- Operating expenses for the year (excluding depreciation and grant pass-throughs) were \$92.6 million, which represents an increase of \$2.1 million, or 2.3%, over 2008;
- Non-operating revenues, including federal, state and local subsidies, were \$69.6 million in 2009, which represents an increase of \$3.1 million, or 4.6%, over 2008.

### 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).

## Southwest Ohio Regional Transit Authority

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

The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing 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.

**Condensed Balance Sheets  
(amounts in thousands)**

	<b>As of December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Current assets	\$32,487	\$37,213	\$35,035
Non-current assets	6,447	11,725	9,168
Capital assets-net	<u>90,627</u>	<u>70,529</u>	<u>71,561</u>
<b>Total assets</b>	<b><u>\$129,561</u></b>	<b><u>\$119,467</u></b>	<b><u>\$115,764</u></b>
Current liabilities	\$24,967	\$24,136	\$21,541
Non-current liabilities	<u>13,725</u>	<u>24,537</u>	<u>22,360</u>
<b>Total liabilities</b>	<b><u>38,692</u></b>	<b><u>48,673</u></b>	<b><u>43,901</u></b>
Net assets:			
Invested in capital assets, net of related debt	85,627	60,529	61,561
Restricted	3,661	4,394	497
Unrestricted	<u>1,581</u>	<u>5,871</u>	<u>9,805</u>
<b>Total net assets</b>	<b><u>90,869</u></b>	<b><u>70,794</u></b>	<b><u>71,863</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$129,561</u></b>	<b><u>\$119,467</u></b>	<b><u>\$115,764</u></b>

Net assets may serve as a useful indicator of the Authority's financial position. As of December 31, 2009, the Authority's total assets exceeded total liabilities by \$90.9 million, which is an increase in net assets of \$20.1 million over 2008. At December 31, 2008, the Authority's total assets exceeded total liabilities by \$70.8 million, which is a decrease in net assets of \$1.1 million compared to 2007.

By far the largest portion of the Authority's net assets is its investment in capital assets less the outstanding balance of any debt used to acquire those assets. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. The Authority uses these capital assets to provide public transportation service in Hamilton County and small portions of Warren, Clermont and Butler Counties. These assets are not available to liquidate liabilities or for other spending. The Authority's investment in capital assets amounts to \$90.6 million, net of accumulated depreciation as of December 31, 2009, which is an increase of \$20.1 million, or 28.5%, compared to 2008. Major capital asset expenditures during 2009 include the following:

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis (continued)

- 62 new 40-foot, low-floor, "clean diesel" buses at a cost of \$22.0 million, replacing existing buses that were aged beyond their 12-year useful life;
- 6 new 40-foot, low-floor hybrid electric buses at a cost of \$3.1 million, replacing existing buses that were aged beyond their useful life;
- 5 new 60-foot articulated buses at a cost of \$3.0 million, replacing existing buses that were aged beyond their useful life;
- new bus washing equipment at our Queensgate operating division, at a cost of \$0.4 million, replacing existing equipment that was at the end of its useful life;
- new video cameras and recorders on buses, at a cost of \$0.4 million, replacing existing equipment that was at the end of its useful life.

In 2008, there were significantly fewer capital expenditures. As a result, depreciation expense for the year exceeded capital additions by \$1.0 million, which represents the majority of the \$1.1 million decrease in net assets from the end of 2007 to 2008. By far the largest components of capital additions in 2008 were the purchase of 21 new 40-foot, low-floor, "clean diesel" buses and 9 new paratransit vehicles, at a total cost of \$7.7 million.

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

### Condensed Statements of Revenues, Expenses and Changes in Net Assets (amounts in thousands)

	<u>For the years ended December 31,</u>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Operating revenues:</b>			
Passenger fares for transit service	\$21,976	\$22,964	\$18,560
Special transit fares	439	474	550
Auxiliary transportation revenue	603	538	547
Total	<u>23,018</u>	<u>23,976</u>	<u>19,657</u>
<b>Operating expenses other than depreciation:</b>			
Labor	41,368	40,717	38,491
Fringe benefits	20,096	19,938	19,328
Materials and supplies consumed	16,779	15,618	14,261
Services	3,738	3,766	3,039
Utilities	1,807	1,916	1,872
Casualty and liability	954	486	500
Taxes	961	1,027	1,053
Purchased transportation services	6,058	5,977	6,182
Leases and rentals	457	534	484
Miscellaneous	388	526	387
Total	<u>92,606</u>	<u>90,505</u>	<u>85,597</u>
Depreciation and amortization expense	<u>11,109</u>	<u>11,281</u>	<u>12,051</u>
Operating loss before grant pass through	(80,697)	(77,810)	(77,991)
Grant pass through-Cincinnati Zoo Transit Hub	2,765	728	0
Grant pass through-Everybody Rides Metro Foundation	224	98	0
<b>Operating loss</b>	<u>(83,686)</u>	<u>(78,636)</u>	<u>(77,991)</u>

## Southwest Ohio Regional Transit Authority

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

	<b>For the years ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Net non-operating revenues (expenses):</b>			
Transit Fund assistance	41,369	43,036	41,304
Federal maintenance grants and reimbursements	18,197	11,971	13,179
State, ADA, special fare assistance and fuel tax reimbursements	1,701	2,050	2,172
Investment income	496	1,153	1,611
Net (decrease) increase in fair value of investments	(444)	309	412
Non-transportation revenue	630	627	667
Local operating grants and special fare assistance	<u>7,639</u>	<u>7,383</u>	<u>6,595</u>
<b>Non-operating revenues and expenses, net before grant pass through</b>	69,588	66,529	65,940
Federal grant-pass through-Cincinnati Zoo Transit Hub	2,765	728	0
Federal grant-pass through-Everybody Rides Metro Foundation	224	98	0
Total	<u>72,577</u>	<u>67,355</u>	<u>65,940</u>
Net loss before capital grant activity	(11,109)	(11,281)	(12,051)
Capital Contributions	31,184	10,212	3,008
Change in net assets	<u>20,075</u>	<u>(1,069)</u>	<u>(9,043)</u>
Net assets, beginning of year	<u>70,794</u>	<u>71,863</u>	<u>80,906</u>
Net assets, end of year	<u>\$90,869</u>	<u>\$70,794</u>	<u>\$71,863</u>

**Operating Revenues**

The Authority's operating revenues were \$23.0 million in 2009, which represents a decrease of almost \$1.0 million, or 4.0% from 2008, due primarily to a decrease in passenger fares. The decrease in fare revenue is due to an 11% drop in non-school ridership as a result of high unemployment and lower gasoline prices reducing the cost of driving. This decrease was partially offset by a \$.25 increase in the additional Zone fare for service outside the City of Cincinnati.

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, 2008.

Southwest Ohio Regional Transit Authority

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

### **Operating Expenses**

The Authority's operating expenses other than depreciation were \$92.6 million in 2009, which represents an increase of \$2.1 million, or 2.3%, over 2008. Several factors contributed to this increase, the largest of which is a \$1.1 million, or 12.1% increase in the cost of diesel fuel, as most of 2009's fuel purchases were hedged in 2008 when oil prices were higher. Labor costs and related fringe benefits in 2009 were also higher than in 2008 by a combined \$0.8 million, or 1.3%, due primarily to contractual wage increases of 3.2% for union employees as stipulated in the collective bargaining agreement, partially offset by savings from open positions and fewer operator hours due to service realignments. Casualty and liability claims expense in 2009 was also higher than in 2008 by \$0.5 million, or 96.3%, due primarily to an unusually large claim asserted in 2009 related to damage caused by a landslide on one of the Authority's rail rights of way. These increases were partially offset by decreases in other expense line items due to the Authority's efforts to cut costs in response to lower fare revenues and a reduction in revenue from the City of Cincinnati Income Tax-Transit Fund.

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.

### **Non-Operating Revenues**

Non-operating revenues were \$69.6 million in 2009, which is an increase of \$3.1 million, or 4.6%, over 2008. This increase is due primarily to a \$6.2 million increase in federal maintenance grants and reimbursements as the Authority utilized \$4.2 million of its allotment from the American Reinvestment and Recovery Act (a.k.a. "stimulus" funds) and reallocated \$0.8 million from its capital replacement program to fund preventive maintenance expenses in order to offset declines in revenues from passenger fares and the City of Cincinnati Income Tax-Transit Fund. The Authority also received in 2009 another \$1.2 million as a one-time allocation of federal funds to offset the cost of biodiesel fuel.

Operating assistance received from the City of Cincinnati Income Tax-Transit Fund was \$41.4 million in 2009, which is a decrease of \$1.7 million compared to 2008 due primarily to a drop in tax collections as a result of the economic recession. Additionally, investment income net of adjustments to the fair value of investments, was only \$52,000 in 2009, compared to nearly \$1.5 million in 2008.

Southwest Ohio Regional Transit Authority

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

This decrease is due to a net decrease in the fair value of investments, as well as lower average interest rates in the portfolio and a lower average cash and investments balance during the year. The Authority also received in 2009 about \$2.8 million in federal funding that was passed through to the Cincinnati Zoo & Botanical Garden to complete construction of a new transit hub at the zoo.

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 million in federal funding that was passed through to the Cincinnati Zoo and Botanical Garden 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.

**Debt Administration**

The Authority maintains no short- or long-term debt, other than certain capital leases. As of December 31, 2009, the Authority had outstanding capital leases on 38 Gillig buses. These leases mature in 2011 and had an initial principal balance at inception of \$10,000,000. During 2009, a principal payment was made in the amount of \$5,000,000; thus there is a remaining balance due of \$5.0 million as of December 31, 2009. 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, 2009 and 2008**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$8,871,504	\$11,011,984
Investments (Note 4)	11,550,124	14,299,296
Receivables:		
Federal assistance	5,376,409	4,551,163
State assistance	572,686	662,924
Other	1,239,547	1,379,597
Receivables for capital assistance-restricted	1,974,701	3,455,867
Inventory of materials and supplies	1,891,303	1,589,956
Prepaid expenses and other current assets	1,011,137	262,184
<b>Total current assets</b>	<u>32,487,411</u>	<u>37,212,971</u>
<b>Non-current assets:</b>		
Cash and cash equivalents-restricted (Note 4)	6,447,055	11,725,375
Capital assets (Notes 5 and 7):		
Land and buildings	14,666,626	14,669,474
Improvements	26,098,593	25,571,424
Revenue vehicles	130,910,213	114,218,817
Other equipment	31,673,901	29,704,928
Total capital assets	<u>203,349,333</u>	<u>184,164,643</u>
Less allowance for depreciation and amortization	<u>112,722,307</u>	<u>113,636,188</u>
Capital assets-net	<u>90,627,026</u>	<u>70,528,455</u>
<b>Total non-current assets</b>	<u>97,074,081</u>	<u>82,253,830</u>
<b>Total assets</b>	<u>\$129,561,492</u>	<u>\$119,466,801</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, 2009 and 2008 (continued)**

<b>LIABILITIES AND NET ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current liabilities:</b>		
Accounts payable	\$2,647,938	\$2,937,737
Capital expenditures payable	3,396,584	4,092,409
Accrued payroll	651,195	399,916
Accrued payroll taxes and other benefits (Note 8)	4,687,676	5,323,003
Current portion of estimated claims payable (Note 9)	1,570,000	1,019,000
Other current liabilities	3,230,935	3,308,459
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3):		
For current operations	1,676,467	—
For capital purposes	<u>7,106,099</u>	<u>7,055,540</u>
<b>Total current liabilities</b>	<u>24,966,894</u>	<u>24,136,064</u>
<b>Non-current liabilities:</b>		
Deferred capital grants	4,760,052	10,786,844
Estimated claims payable, net of current portion (Note 9)	3,874,437	3,640,954
Capital lease obligation (Note 7)	5,000,000	10,000,000
Deferred rent	61,993	66,104
Accrued pension cost (Note 8)	<u>28,401</u>	<u>42,532</u>
<b>Total non-current liabilities</b>	<u>13,724,883</u>	<u>24,536,434</u>
<b>Total liabilities</b>	<u>38,691,777</u>	<u>48,672,498</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	85,627,026	60,528,455
Restricted for:		
Capital projects	3,284,068	3,748,202
Pass-through to sub-recipient	—	177,270
Other purposes	377,636	468,926
Unrestricted	<u>1,580,985</u>	<u>5,871,450</u>
<b>Total net assets</b>	<u>90,869,715</u>	<u>70,794,303</u>
<b>Total liabilities and net assets</b>	<u>\$129,561,492</u>	<u>\$119,466,801</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, 2009 and 2008

	2009	2008
<b>Operating revenues</b>		
Passenger fares for transit service	\$21,975,701	\$22,963,682
Special transit fares	438,782	474,005
Auxiliary transportation revenue	<u>603,537</u>	<u>537,954</u>
<b>Total</b>	<u>23,018,020</u>	<u>23,975,641</u>
<b>Operating expenses other than depreciation:</b>		
Labor	41,368,486	40,717,424
Fringe benefits	20,095,843	19,937,641
Materials and supplies consumed	16,778,997	15,618,066
Services	3,737,718	3,765,859
Utilities	1,807,113	1,915,727
Casualty and liability	953,581	486,380
Taxes	960,869	1,026,550
Purchased transportation services	6,057,505	5,976,923
Leases and rentals	457,470	534,340
Miscellaneous	<u>388,083</u>	<u>526,056</u>
<b>Total</b>	<u>92,605,665</u>	<u>90,504,966</u>
Grant pass-through–Cincinnati Zoo Transit Hub	2,764,577	727,655
Grant pass-through–Everybody Rides Metro Foundation	224,134	98,152
Depreciation and amortization (Note 5)	<u>11,109,251</u>	<u>11,281,399</u>
Total operating expenses	<u>106,703,627</u>	<u>102,612,172</u>
<b>Operating loss</b>	<u>(83,685,607)</u>	<u>(78,636,531)</u>
<b>Non-operating revenues (expenses):</b>		
Federal maintenance grants and reimbursements (Note 6)	18,197,132	11,970,797
Federal grant pass-through–Cincinnati Zoo Transit Hub (Note 6)	2,764,577	727,655
Federal grant pass-through–Everybody Rides Metro Foundation (Note 6)	224,134	98,152
State maintenance grants, reimbursements and special fare assistance (Note 6)	1,701,236	2,050,445
Local operating grants and special fare assistance (Note 6)	7,638,919	7,382,749
Investment income-net (Notes 4 and 7)	496,025	1,153,659
Increase (decrease) in fair value of investments	(444,417)	308,770
Non-transportation revenue	<u>629,552</u>	<u>627,233</u>
<b>Total</b>	<u>31,207,158</u>	<u>24,319,460</u>

(continued)

Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Net Assets  
for the years ended December 31, 2009 and 2008 (continued)**

	2009	2008
<b>Loss before operating assistance provided by City of Cincinnati Income Tax-Transit Fund and capital grant activity</b>	\$(52,478,449)	\$(54,317,071)
<b>Operating assistance from the City of Cincinnati Income Tax-Transit Fund (Note 3)</b>	<u>41,369,198</u>	<u>43,035,672</u>
<b>Net loss before capital grant activity</b>	(11,109,251)	(11,281,399)
<b>Capital grant revenue (Note 6)</b>	<u>31,184,663</u>	<u>10,212,791</u>
<b>Increase (decrease) in net assets during the year</b>	20,075,412	(1,068,608)
<b>Net assets, beginning of year</b>	<u>70,794,303</u>	<u>71,862,911</u>
<b>Net assets, end of year</b>	<u>\$90,869,715</u>	<u>\$70,794,303</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, 2009 and 2008**

	2009	2008
<b>Cash flows from operating activities:</b>		
Receipts from fares and special service	\$22,618,149	\$24,277,804
Payments to suppliers	(31,576,464)	(26,444,054)
Payments for labor and employee benefits	(61,763,278)	(60,352,850)
Payments for claims and insurance	<u>(1,312,375)</u>	<u>(1,761,052)</u>
<b>Net cash used in operating activities</b>	<u>(72,033,967)</u>	<u>(64,280,152)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfer from City of Cincinnati Income Tax-Transit Fund	43,036,436	42,715,623
Federal maintenance grants and reimbursements	20,360,597	12,096,021
State maintenance grants, reimbursements and special fare assistance	1,791,474	2,032,282
Other local operating assistance received	<u>7,638,919</u>	<u>7,382,749</u>
<b>Net cash provided by noncapital financing activities</b>	<u>72,827,426</u>	<u>64,226,675</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital grants received:		
City of Cincinnati Income Tax-Transit Fund	3,500,000	2,669,322
Federal, state and other local	21,742,835	6,586,010
Additions to capital assets	(31,232,270)	(10,270,532)
Payments of capital lease obligation	(5,000,000)	—
Interest paid on capital lease obligation	<u>(418,000)</u>	<u>(418,000)</u>
<b>Net cash used in capital and related financing activities</b>	<u>(11,407,435)</u>	<u>(1,433,200)</u>
<b>Cash flows from investing activities:</b>		
Net cash receipts from investment securities	2,304,027	7,586,007
Interest received	<u>891,149</u>	<u>1,571,655</u>
<b>Net cash provided by investing activities</b>	<u>3,195,176</u>	<u>9,157,662</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(7,418,800)	7,670,985
<b>Cash and cash equivalents at beginning of year</b>	<u>22,737,359</u>	<u>15,066,374</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$15,318,559</u>	<u>\$22,737,359</u>

(continued)

Southwest Ohio Regional Transit Authority

**Statements of Cash Flows**  
**for the years ended December 31, 2009 and 2008 (concluded)**

	2009	2008
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$(83,685,607)	\$(78,636,531)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and Amortization	11,109,251	11,281,399
Non-transportation revenue	629,552	627,233
Changes in assets and liabilities:		
Other receivables	140,050	(141,428)
Restricted - receivables for capital assistance	1,481,166	(3,289,117)
Inventory of materials and supplies	(301,347)	(146,671)
Prepaid expenses and other current assets	(748,953)	(45,077)
Accounts payable	(289,799)	1,276,040
Capital expenditures payable	(695,825)	3,942,746
Accrued expenses	(384,048)	42,370
Other liabilities	(72,890)	568,524
Estimated claims payable	784,483	240,360
<b>Net cash used in operating activities</b>	<u><u>\$(72,033,967)</u></u>	<u><u>\$(64,280,152)</u></u>

(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, 2009 and 2008**

### **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, 2009 and 2008 (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, 2009 and 2008 (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 or receivable under various federal, state and local capital grants, including 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 \$2,500 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:

Description	Years
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, 2009 and 2008 (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 2009 and 2008. All operating 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, 2009 and 2008 (continued)**

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

### **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, 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

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2009 and 2008 (continued)**

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 has no formal policy relating to interest rate risk.

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, 2009 and 2008, the Authority maintained restricted cash and cash equivalents of \$6,447,055 and \$11,725,375, respectively, and unrestricted cash and investments of \$20,421,628 and \$25,311,280, respectively. The total cash and investments of \$26,868,683 and \$37,036,655, respectively, consisted of \$15,318,559 and \$22,737,359, respectively, in deposits and \$11,550,124 and \$14,299,296, 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, 2009 and 2008, the carrying amount of the Authority's deposits was \$15,318,559 and \$22,737,359, respectively, and the bank balance was \$17,751,650 and \$24,327,857, 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, 2009 and 2008, the fair value of the Authority's investments were as follows:

	<b>2009</b>	<b>2008</b>
U.S. Agency bonds	\$11,550,023	\$14,290,947
Star Treasury Reserve of Ohio (STAROhio)	<u>101</u>	<u>8,349</u>
Total investments	<u>\$11,550,124</u>	<u>\$14,299,296</u>

## Southwest Ohio Regional Transit Authority

### Notes to the Financial Statements for the years ended December 31, 2009 and 2008 (continued)

Investments held by the Authority at December 31, 2009 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	\$11,550,023	—	\$11,550,023	—	—
Star Treasury Reserve of Ohio (STAROhio)	101	—	101	—	—
<b>Total Investments</b>	\$11,550,124	\$0	\$11,550,124	\$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	\$11,550,023	\$1,003,123	\$10,546,900	\$0	\$0
<b>Total Bonds</b>	\$11,550,023	\$1,003,123	\$10,546,900	\$0	\$0

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

## Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2009 and 2008 (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	\$14,290,947	\$2,354,074	\$11,936,873	\$0	\$0
<b>Total Bonds</b>	<b>\$14,290,947</b>	<b>\$2,354,074</b>	<b>\$11,936,873</b>	<b>\$0</b>	<b>\$0</b>

### 5. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balance January 1, 2009	Additions	Deletions	Balance December 31, 2009
Capital assets not being depreciated:				
Land	\$13,162,958		\$2,848	\$13,160,110
Total capital assets not being depreciated	<u>13,162,958</u>	<u>—</u>	<u>2,848</u>	<u>13,160,110</u>
Capital assets being depreciated:				
Buildings	1,506,516			1,506,516
Improvements	25,571,424	\$527,169		26,098,593
Revenue vehicles	114,218,817	28,698,773	12,007,377	130,910,213
Other equipment	29,704,928	2,006,328	37,355	31,673,901
Total capital assets being depreciated	<u>171,001,685</u>	<u>31,232,270</u>	<u>12,044,732</u>	<u>190,189,223</u>
Less accumulated depreciation:				
Buildings	344,550	36,681		381,231
Improvements	9,592,522	1,701,321		11,293,843
Revenue vehicles	79,238,001	7,834,974	12,007,377	75,065,598
Other equipment	24,461,115	1,536,275	15,755	25,981,635
Total accumulated depreciation	<u>113,636,188</u>	<u>11,109,251</u>	<u>12,023,132</u>	<u>112,722,307</u>
Total capital assets being depreciated, net	<u>57,365,497</u>	<u>20,123,019</u>	<u>21,600</u>	<u>77,466,916</u>
Total capital assets, net	<u>\$70,528,455</u>	<u>\$20,123,019</u>	<u>\$24,448</u>	<u>\$90,627,026</u>

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2009 and 2008 (continued)

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	<u>\$13,162,958</u>	_____	_____	<u>\$13,162,958</u>
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	<u>28,040,959</u>	<u>1,769,782</u>	<u>105,813</u>	<u>29,704,928</u>
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	<u>22,617,246</u>	<u>1,928,082</u>	<u>84,213</u>	<u>24,461,115</u>
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>

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, 2009) had been owned by SORTA, the provision for depreciation for the years ended December 31, 2009 and 2008 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, 2009 and 2008 (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, 2009 and 2008 consist of the following:

	2009	2008
<b>Non-operating revenues:</b>		
<b>Federal:</b>		
FTA-Maintenance and other assistance	<u>\$18,197,132</u>	<u>\$11,970,797</u>
FTA-grant pass-through–Cincinnati Zoo Transit Hub	<u>\$2,764,577</u>	<u>\$727,655</u>
FTA-grant pass-through–Everybody Rides Metro Foundation	<u>\$224,134</u>	<u>\$98,152</u>
<b>State:</b>		
ODOT-Fuel tax reimbursement	\$906,409	\$970,626
ODOT-Elderly and handicapped grant	222,141	416,895
ODOT-Maintenance and other assistance	<u>572,686</u>	<u>662,924</u>
Total	<u>\$1,701,236</u>	<u>\$2,050,445</u>
<b>Local:</b>		
Cincinnati Board of Education Contract	\$6,952,401	\$6,662,091
Hamilton County	203,265	311,548
Warren County	—	6,626
Deerfield Township	—	6,109
Other	<u>483,253</u>	<u>396,375</u>
Total	<u>\$7,638,919</u>	<u>\$7,382,749</u>
<b>Capital grant revenue:</b>		
Federal	\$21,845,874	\$6,472,131
State	—	21,241
Local	<u>9,338,789</u>	<u>3,719,419</u>
Total	<u>\$31,184,663</u>	<u>\$10,212,791</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 \$240,000 in 2009 and \$357,000 in 2008.

At December 31, 2009, 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, 2009 and 2008 (continued)**

<u>Year</u>	<u>Amount</u>
2010	\$171,939
2011	177,749
2012	183,684
2013	189,746
2014	144,460
2015-2019	816,371
2020-2024	340,385
Total	<u>\$2,024,335</u>

SORTA also leases 20 revenue vehicles (38 at December 31, 2008) 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 \$5,000,000 and \$3,124,999, respectively, at December 31, 2009, and \$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 \$5,000,000 due February 1, 2011. Future minimum lease payments under the capital leases are as follows:

<u>Year</u>	<u>Amount</u>
2010	286,794
2011	<u>5,104,500</u>
Total minimum lease payments	5,391,294
Less amount representing interest	<u>391,294</u>
Present value of net minimum lease payments	5,000,000
Less amount due in 2010	<u>—</u>
Amount due after 2010	<u>\$5,000,000</u>

During the years ended December 31, 2009 and 2008, the Authority recognized \$395,124 and \$417,996, respectively, of interest expense under its capital leases. Changes in the Authority's long term capital lease obligations are summarized below:

	<b>2009</b>	<b>2008</b>
Balance, beginning of year	\$10,000,000	\$10,000,000
Additions	—	—
Reductions	<u>(5,000,000)</u>	<u>—</u>
Balance, end of year	<u>\$5,000,000</u>	<u>\$10,000,000</u>

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2009 and 2008 (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 2009 and 2008, employees other than law enforcement personnel were required to contribute 10.0% of their covered payroll to OPERS. The 2009 and 2008 employer contribution rates for local government employer units were 14.0% of covered payroll including 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009 and 7.0% in 2008 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, 2009, 2008 and 2007 were \$3,636,000, \$3,083,000, and \$3,480,000, 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, 2009 and 2008 (continued)

### B. Private Pension Plans

**Plan Description.** Certain retirees (8 at January 1, 2010) 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, 2009, 2008 and 2007 were determined using the unit credit actuarial cost method as follows:

	2009	2008	2007
Annual required contribution	—	—	—
Interest on net pension obligation	—	—	—
Actuarial adjustment to net pension obligation	\$(4,300)	—	\$(8,006)
Annual pension cost	(4,300)	—	(8,006)
Contribution/benefit payments made	(9,831)	\$(15,152)	(18,539)
Decrease in net pension obligation	(14,131)	(15,152)	(26,545)
Net pension obligation beginning of year	42,532	57,684	84,229
Net pension obligation end of year	<u>\$28,401</u>	<u>\$42,532</u>	<u>\$57,684</u>

The net pension obligation was actuarially determined using a mortality assumption obtained from the IRS 2010 Optional Small Plan Mortality Table and the 2009 and 2008 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 and No. 45) 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, 2009 and 2008 (continued)

OPERS is considered an Other Post-employment Benefit ("OPEB") as described in GASB Statement No. 12 and No. 45.

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% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009 of covered payroll were the portions of the 14.0% total contribution rate for 2009 that was used to fund health care, and 7.0% of covered payroll was the portion of the 14.0% total contribution rate for 2008 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, 2008. 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 2008 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 3% for the next six years. In subsequent years (seven 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 357,584 and 356,388 at December 31, 2009 and 2008, respectively. The Authority's contributions to OPERS for other post-employment benefits for the years ended December 31, 2009 and 2008 were \$2,629,000 and \$3,083,000, respectively, equal to 100% of the required contributions for each year. The actuarial value of OPERS' net assets available for OPEB at December 31, 2008 was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 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, 2009 and 2008 (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, 2009, 1 individual was receiving health care benefits and 454 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>2009</u>	<u>2008</u>
Health care benefits	\$852	\$748
Life insurance benefits	\$818,169	\$470,849

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:

	2009	2008
Medical inflation assumptions	**	**
Future annual increases in life insurance premiums	2.70%	2.00%
Remaining life expectancy*	Individually Determined	
Medical	Individually Determined	
Life	18.0 yrs.	18.2 yrs.
Interest factor	3.00%	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 \$380,000 and \$158,000 for the years ended December 31, 2009 and 2008, respectively.

## Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2009 and 2008 (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, 2009, 2008 and 2007 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Public Liability</u> <u>and Property Damage</u>	<u>Total</u>
Balance, January 1, 2007	\$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	4,115,203	544,751	4,659,954
Claims, net of changes			
in estimates	1,029,529	1,067,329	2,096,858
Payments	<u>(944,429)</u>	<u>(367,946)</u>	<u>(1,312,375)</u>
Balance, December 31, 2009	<u>\$4,200,303</u>	<u>\$1,244,134</u>	<u>\$5,444,437</u>

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2009 and 2008 (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, 2009, 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, 2009, 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, 2009 and 2008 (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, 2009 (\$342,283), and revenue for the year ended December 31, 2009 (\$999,821), 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 2009 and 2008, 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, 2009 and 2008. 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, 2009 and 2008, losses of \$4,311,238 (\$1.28 per gallon) and gains of \$1,580,340 (43.9 cents per gallon), respectively, were recognized as an increase and as a decrease, respectively, in diesel fuel expense. On December 31, 2009 and 2008, the remaining open contracts had \$1,465,540 of unrealized gain and \$5,383,333 of unrealized loss, 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, 2009**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>Operating revenues</b>	\$26,781,516	\$23,018,020	\$(3,763,496)
<b>Operating expenses other than depreciation and amortization:</b>			
Labor	41,199,162	41,368,486	(169,324)
Fringe benefits	20,191,295	20,095,843	95,452
Materials and supplies consumed	18,359,205	16,778,997	1,580,208
Services	3,920,210	3,737,718	182,492
Utilities	2,010,160	1,807,113	203,047
Casualty and liability	422,025	953,581	(531,556)
Taxes	1,011,477	960,869	50,608
Purchased transportation services	6,351,533	6,057,505	294,028
Leases and rentals	464,533	457,470	7,063
Interest Expense	750,000	—	750,000
Miscellaneous	442,058	388,083	53,975
Sub-total	<u>95,121,657</u>	<u>92,605,665</u>	<u>2,515,992</u>
Grant pass-through Cincinnati Zoo Transit Hub	2,764,577	2,764,577	—
Grant pass-through Everybody Rides Metro Foundation	224,134	224,134	—
<b>Total</b>	<u>98,110,368</u>	<u>95,594,376</u>	<u>2,515,992</u>
<b>Depreciation and amortization</b>	<u>11,000,000</u>	<u>11,109,251</u>	<u>(109,251)</u>
<b>Total operating expenses</b>	<u>109,110,368</u>	<u>106,703,627</u>	<u>2,406,741</u>
<b>Operating loss</b>	<u>(82,328,852)</u>	<u>(83,685,607)</u>	<u>(1,356,755)</u>
<b>Non-operating revenues:</b>			
Local operating grants and special fare assistance	53,238,995	49,008,117	(4,230,878)
Federal maintenance grants and reimbursements	11,836,228	18,197,132	6,360,904
Federal grant pass-through Cincinnati Zoo Transit Hub	2,764,577	2,764,577	—
Federal grant pass-through Everybody Rides Metro Foundation	224,134	224,134	—
State maintenance grants, reimbursements and special fare assistance	2,097,125	1,701,236	(395,889)
Investment income-net	600,000	496,025	(103,975)
Decrease in fair value of investments	—	(444,417)	(444,417)
Non-transportation revenue	567,793	629,552	61,759
<b>Total</b>	<u>71,328,852</u>	<u>72,576,356</u>	<u>1,247,504</u>
<b>Net loss before capital grant activity</b>	<u>(11,000,000)</u>	<u>(11,109,251)</u>	<u>(109,251)</u>
<b>Capital grant revenue</b>	<u>33,543,817</u>	<u>31,184,663</u>	<u>(2,359,154)</u>
<b>Increase in net assets during the year</b>	<u>22,543,817</u>	<u>20,075,412</u>	<u>(2,468,405)</u>
<b>Net assets, beginning of year</b>	<u>70,794,303</u>	<u>70,794,303</u>	<u>—</u>
<b>Net assets, end of year</b>	<u>\$93,338,120</u>	<u>\$90,869,715</u>	<u>\$(2,468,405)</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>48-55</b>
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b> .....	<b>56</b>
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.	
<b>Debt Capacity</b> .....	<b>57</b>
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.	
<b>Economic and Demographic Information</b> .....	<b>58-59</b>
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
<b>Operating Information</b> .....	<b>60-69</b>
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.	

**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)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Operating revenues</b>										
Passenger fares for transit service	\$14,729	\$14,475	\$13,846	\$14,758	\$14,852	\$18,088	\$18,665	\$18,590	\$22,964	\$21,976
Special transit fares	381	328	412	487	414	563	700	550	474	439
Auxiliary transportation revenue	762	574	615	392	412	459	464	547	538	603
Total operating revenues	\$15,872	\$15,377	\$14,873	\$15,637	\$15,678	\$19,110	\$19,829	\$19,687	\$23,976	\$23,018
<b>Non-operating revenues</b>										
Federal maintenance grants and reimbursements	18,219	13,920	15,464	14,018	12,995	11,421	11,215	13,179	11,971	18,197
Federal grant pass-through	0	0	713	3,208	624	0	350	0	826	2,989
State maintenance grants, reimbursements and special fare assistance	4,664	2,588	1,316	1,308	1,351	1,340	2,297	2,172	2,050	1,701
State grant pass-through	0	0	0	0	146	0	0	0	0	0
Local operating grants and special fare assistance	4,564	5,249	5,591	5,632	5,466	5,596	5,862	6,744	7,383	7,639
Investment income-net	2,981	2,799	1,576	698	754	1,111	1,580	1,611	1,153	496
Increase (decrease) in fair value of investments	0	331	972	(259)	(166)	(398)	(79)	412	309	(444)
Non-transportation revenue	491	414	541	513	585	668	706	667	627	629
Total non-operating revenues	30,919	25,301	26,173	25,118	21,755	19,738	21,931	24,785	24,319	31,207
<b>Total Revenues</b>	46,791	40,678	41,046	40,755	37,433	38,848	41,760	44,472	48,295	54,225
<b>Operating expenses</b>										
Labor	33,927	35,050	35,487	36,272	35,759	35,409	37,245	38,491	40,717	41,368
Fringe benefits	12,574	13,340	15,766	15,971	16,266	17,256	18,352	19,328	19,938	20,096
Materials and supplies consumed	10,480	7,953	7,309	8,222	8,955	10,597	12,863	14,261	15,618	16,779
Services	3,387	3,044	3,244	2,704	2,660	2,754	3,053	3,039	3,766	3,738
Utilities	1,080	1,074	1,216	1,341	1,302	1,561	1,637	1,872	1,916	1,807
Casualty and liability	260	1,724	547	1,343	(335)	288	459	500	486	954
Taxes	859	849	864	896	936	995	1,059	1,053	1,027	961
Purchased transportation services	4,398	5,167	6,116	5,840	5,921	5,898	6,106	6,182	5,977	6,058
Leases and rentals	477	479	488	455	467	506	491	484	534	457
Miscellaneous	1,614	1,409	1,348	1,311	391	520	636	387	526	388
Grant pass-through	0	0	713	3,943	770	0	350	0	826	2,989
Depreciation and amortization	8,750	9,011	9,212	9,550	10,090	10,606	11,489	12,051	11,281	11,109
Total operating expenses	77,806	79,100	82,310	87,848	83,182	86,390	93,740	97,648	102,612	106,704
<b>Total Expenses</b>	77,806	79,100	82,310	87,848	83,182	86,390	93,740	97,648	102,612	106,704

(continued)

Southwest Ohio Regional Transit Authority

**Net Assets and Changes in Net Assets—Last Ten Years (Continued)**  
**(dollars in thousands)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating assistance from the City of Cincinnati Income Tax-Transit Fund grant pass-through	0	0	0	735	0	0	0	0	0	0
Operating assistance from the City of Cincinnati Income Tax-Transit Fund	22,265	29,410	32,052	36,808	35,660	36,936	40,491	41,304	43,036	41,369
Capital grant revenue	7,068	17,134	14,231	6,383	10,399	6,773	17,741	3,008	10,212	31,186
<b>Increase (decrease) in net assets</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>20,076</b>
<b>Net Assets at Year-End</b>										
Invested in capital assets, net of related debt	\$66,826	\$66,312	\$60,827	\$59,061	\$59,431	\$55,640	\$70,559	\$61,561	\$60,528	\$85,627
Restricted	83	1,086	164	514	1,446	3,118	1,300	497	4,394	3,662
Unrestricted	1,293	8,927	20,353	18,602	17,610	15,895	9,047	9,805	5,871	1,581
<b>Total Net Assets</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>	<b>\$90,870</b>

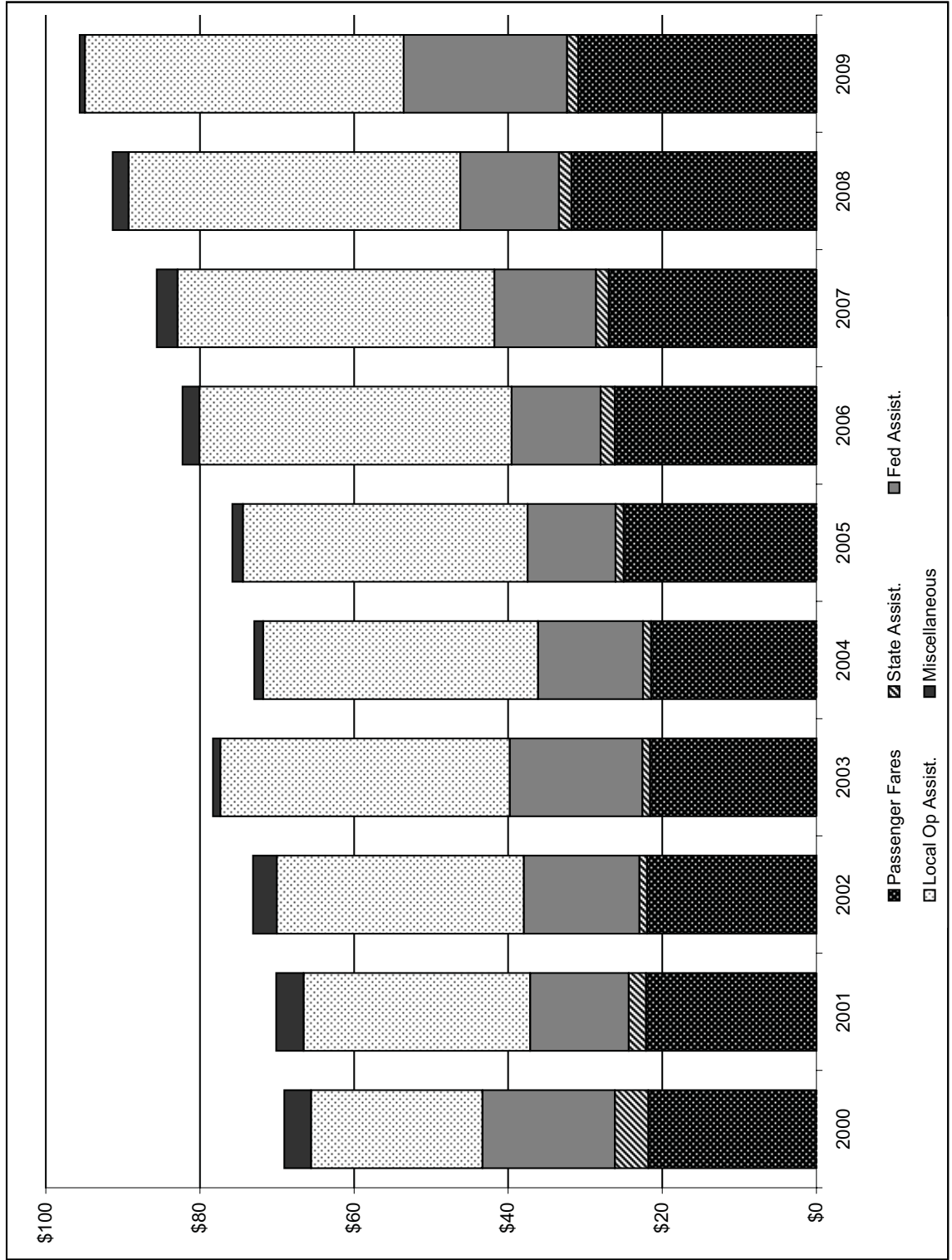
Southwest Ohio Regional Transit Authority

**Revenues by Source—Last Ten Years  
(dollars in thousands)**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>OPERATING REVENUES</b>										
Passenger fares for transit service (1)	\$20,661	\$21,204	\$20,937	\$20,712	\$20,630	\$23,989	\$24,969	\$25,848	\$30,763	\$29,837
Special transit fares	381	328	412	487	414	562	700	550	474	439
Auxiliary transportation revenue	762	574	615	392	412	459	464	547	538	603
Total operating revenues	21,804	22,106	21,964	21,591	21,456	25,010	26,133	26,945	31,775	30,879
<b>NON-OPERATING REVENUES</b>										
Federal grants and reimbursements (1)	17,183	12,780	14,298	14,018	12,995	11,421	11,215	13,179	11,971	18,197
Federal grant pass-through-Riverfront Transit Center	0	0	713	3,208	0	0	0	0	0	0
Federal grant pass-through-Union Township Park & Ride	0	0	0	0	624	0	0	0	0	0
Federal grant pass-through-Anderson Township Park & Ride	0	0	0	0	0	0	350	0	0	0
Federal grant pass-through-Cincinnati Zoo Transit Hub	0	0	0	0	0	0	0	0	728	2,765
Federal grant pass-through-Everybody Rides Metro Foundation	0	0	0	0	0	0	0	0	98	224
State grants and reimbursements (1)	4,332	2,249	982	985	1,039	1,036	1,855	1,659	1,634	1,479
State grant pass-through-Union Township Park & Ride	0	0	0	0	146	0	0	0	0	0
Investment income	2,981	3,130	2,548	439	587	713	1,501	2,023	1,462	52
Non-transportation revenues	491	414	541	513	585	668	706	667	627	630
Sub-total	24,987	18,573	19,082	19,163	15,976	13,838	15,627	17,528	16,520	23,347
Local operating assistance	22,265	29,410	32,052	37,544	35,660	36,935	40,491	41,125	43,036	41,369
Total non-operating revenues	47,252	47,983	51,134	56,707	51,636	50,773	56,118	58,653	59,556	64,716
<b>TOTAL REVENUES</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>	<b>\$95,595</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**  
 (dollars in millions)



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	
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	31.4%	6.5%	37.9%	54.6%	7.5%	62.1%	100.0%
2008	31.2%	6.4%	37.6%	55.3%	7.1%	62.4%	100.0%
2009	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY:

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
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%
2009	31.7%	1.3%	33.0%	44.8%	22.2%	67.0%	100.0%

\* Information source not available

(1) Source: The American Public Transit Association, "APTA 2009 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

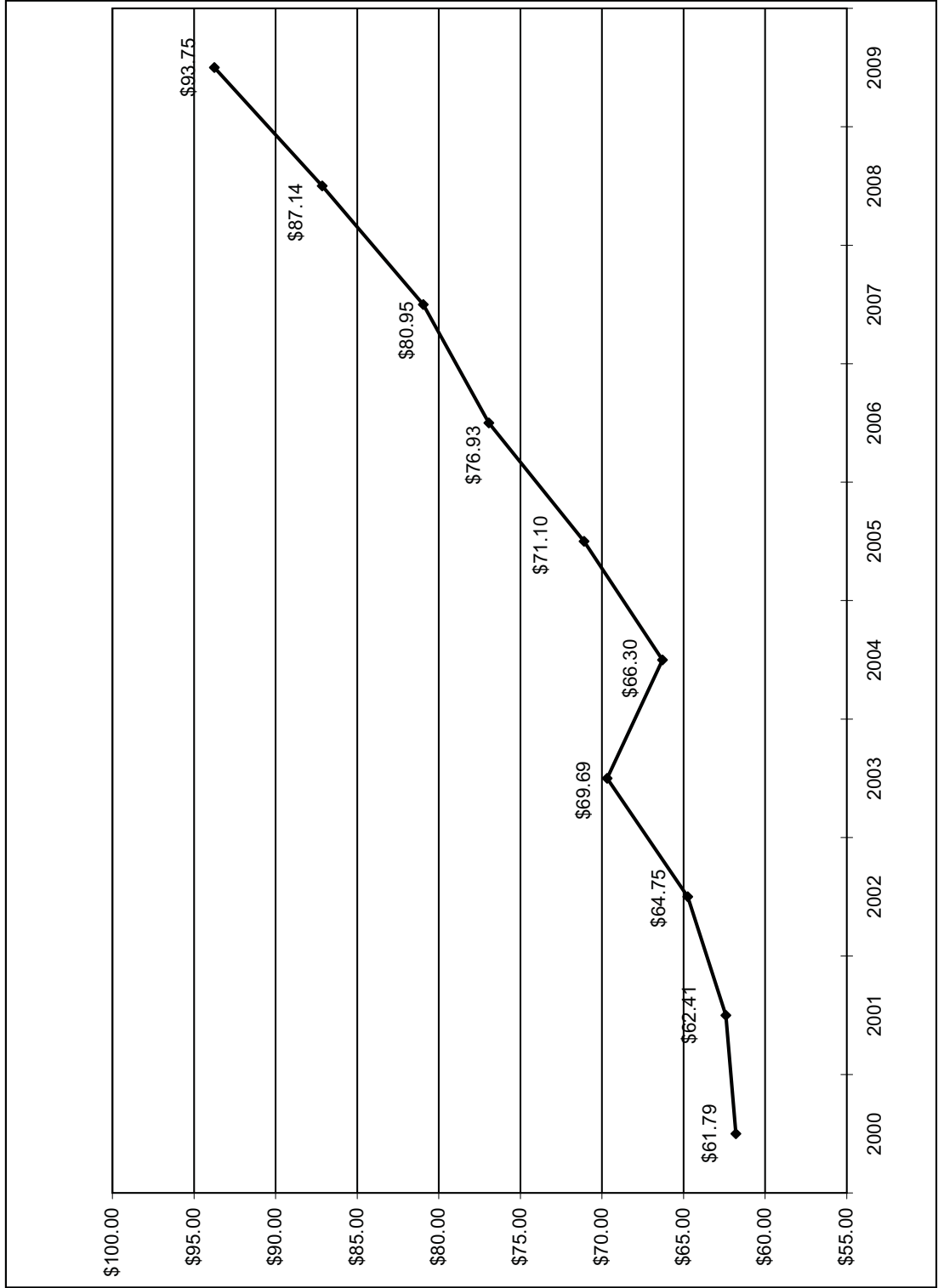
**Expenses by Object Class—Last Ten Years  
(dollars in thousands)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
OPERATING EXPENSES OTHER THAN DEPRECIATION AND AMORTIZATION:										
Labor	\$33,927	\$35,050	\$35,487	\$36,272	\$35,759	\$35,409	\$37,245	\$38,491	\$40,717	\$41,368
Fringe Benefits	12,574	13,339	15,767	15,971	16,266	17,256	18,352	19,328	19,938	20,096
Materials and supplies consumed	10,480	7,953	7,309	8,222	8,955	10,597	12,863	14,262	15,618	16,779
Services	3,387	3,044	3,244	2,704	2,660	2,754	3,053	3,039	3,766	3,738
Utilities	1,080	1,074	1,216	1,341	1,302	1,561	1,638	1,872	1,916	1,807
Casualty and liability	260	1,724	547	1,343	(335)	288	459	500	486	954
Taxes	859	849	864	896	936	995	1,059	1,053	1,027	961
Purchased transportation services	4,398	5,167	6,116	5,840	5,921	5,899	6,106	6,182	5,977	6,058
Leases and rentals	477	479	488	455	467	506	491	484	534	457
Miscellaneous	1,614	1,410	1,347	1,311	391	519	635	387	526	388
<b>Total</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>	<b>92,606</b>
Grant pass-through-Riverfront Transit Center	0	0	713	3,943	0	0	0	0	0	0
Grant pass-through-UnionTownship Park & Ride	0	0	0	0	770	0	0	0	0	0
Grant pass-through-Anderson Township Park & Ride	0	0	0	0	0	0	350	0	0	0
Federal grant pass-through-Cincinnati Zoo Transit Hub	0	0	0	0	0	0	0	0	728	2,765
Federal grant pass-through-Everybody Rides Metro Foundation	0	0	0	0	0	0	0	0	98	224
<b>DEPRECIATION AND AMORTIZATION</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>11,109</b>
<b>TOTAL EXPENSES</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>	<b>\$106,704</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)
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	65.8%	11.6%	6.1%	3.4%	2.4%	13.0%	-2.3%	100.0%
2008	64.0%	12.8%	6.3%	3.4%	2.2%	13.7%	-2.4%	100.0%
2009	*	*	*	*	*	*	*	*

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)
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%
2009	64.3%	17.6%	7.0%	1.9%	1.0%	6.3%	1.9%	100.0%

\* Information source not available

(1) Source: The American Public Transit Association, "APTA 2009 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)
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
2009	15,404	43,150	176	46,536	854	11,340
		<u>\$398,800</u>	<u>\$3,404</u>	<u>\$397,655</u>	<u>\$8,790</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, 2000 to 2001 and \$3,000,000, 2002 to 2009.

(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)**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Outstanding debt by type:										
Capital lease obligation	\$1,376	\$10,013	\$20,013	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000	\$10,000	\$5,000
Total outstanding debt	\$1,376	\$10,013	\$20,013	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000	\$10,000	\$5,000
Population – Hamilton County, Ohio (1)	844	845	840	837	832	828	823	842	851	*
Outstanding debt per capita	\$1.63	\$11.85	\$23.83	\$22.27	\$22.40	\$22.51	\$12.15	\$11.88	\$11.75	*

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) Hamilton County Data Center

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>
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%	851,494
2009	149,944	8.9%	*

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) Hamilton County Data Center.

Southwest Ohio Regional Transit Authority

## Principal Employers in Primary Service Area Calendar Years 2009 and 2000

### 2009

<b>Employer</b>	<b>Nature of Business</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
Kroger Co.	National grocery retailer	17,000	4.3%
University of Cincinnati	Public university	15,340	3.8%
Procter & Gamble Co.	Consumer products company	13,000	3.3%
Cincinnati Children's Hospital Medical Center	Pediatric medical center	11,385	2.8%
Health Alliance of Greater Cincinnati	Health care system	10,000	2.5%
Trihealth Inc.	Health care system	9,875	2.5%
Archdiocese of Cincinnati	Roman Catholic diocese	8,000	2.0%
Wal-Mart Stores	Discount retailer	7,375	1.8%
Mercy Health Partners	Health care system	7,316	1.8%
Fifth Third Bank	Financial services company	<u>7,219</u>	<u>1.8%</u>
	Total	<u>106,510</u>	<u>26.6%</u>
	Total County Employment	<u>399,900</u>	

### 1999

<b>Employer</b>	<b>Nature of Business</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
Kroger Co.	National grocery retailer	16,000	3.9%
Greater Cincinnati Federal Government Employees	Federal government	15,595	3.8%
Procter & Gamble Co.	Consumer products company	14,000	3.4%
University of Cincinnati	Public university	13,983	3.4%
Health Alliance of Greater Cincinnati	Health care system	13,592	2.0%
Mercy Health Partners	Health care system	8,601	3.9%
GE Aircraft Engines	Aircraft engine supplier	7,500	1.8%
Cincinnati Public Schools	Public school system	6,701	1.6%
Trihealth Inc.	Health care system	6,430	1.6%
Archdiocese of Cincinnati	Roman Catholic diocese	<u>6,325</u>	<u>1.5%</u>
	Total	<u>108,187</u>	<u>26.3%</u>
	Total County Employment	<u>413,100</u>	

Source: 2009 Business Courier Book of Lists  
Business Courier Book of Business Lists—Winter 2001

Southwest Ohio Regional Transit Authority

**Operating Statistics—Last Ten Years**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>SYSTEM RIDERSHIP (1)</b>										
Motor bus .....	24,813,422	24,108,188	23,872,078	23,052,379	25,900,339	25,294,117	25,897,973	25,833,969	22,886,445	
Demand responsive .....	253,124	267,664	271,448	267,271	258,013	261,449	249,528	238,352	234,507	
<b>AVERAGE WEEKDAY</b>										
<b>SYSTEM RIDERSHIP (1)</b>										
Motor bus .....	82,416	83,531	82,656	80,261	87,320	85,990	87,605	87,066	77,389	
Demand responsive .....	870	918	938	915	899	913	866	824	805	
<b>VEHICLE MILES OPERATED (1)</b>										
Motor bus .....	13,572,038	13,484,565	13,560,173	13,326,524	12,931,616	12,844,463	12,516,090	12,638,029	12,355,966	
Demand responsive .....	2,844,335	2,946,010	2,743,402	2,678,869	2,470,081	2,413,080	2,328,126	2,216,026	2,064,155	
<b>AVERAGE WEEKDAY</b>										
<b>VEHICLE MILES OPERATED (1)</b>										
Motor bus .....	46,201	46,096	46,354	45,099	43,502	43,313	42,136	42,413	41,714	
Demand responsive .....	9,771	10,108	9,476	9,169	8,603	8,428	8,082	7,656	7,087	
<b>REVENUE MILES (1)</b>										
Motor bus .....	11,663,582	11,483,950	11,511,422	11,291,291	11,018,173	11,016,477	10,771,594	10,774,532	10,445,144	
Demand responsive .....	2,382,661	2,552,926	2,404,108	2,324,105	2,135,177	2,058,816	1,973,788	1,922,900	1,809,465	
<b>PASSENGER MILES (1)</b>										
Motor bus .....	148,412,646	134,240,845	129,392,725	133,255,711	139,002,211	128,950,847	124,944,312	127,342,586	103,965,183	
Demand responsive .....	2,662,800	2,438,244	2,820,444	2,471,802	2,483,351	2,736,332	2,567,530	2,558,818	2,521,893	

(Continued)

Southwest Ohio Regional Transit Authority

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>VEHICLE HOURS OPERATED (1)</b>										
Motor bus .....	954,812	954,499	952,513	957,369	938,438	907,290	911,536	909,219	913,117	892,296
Demand responsive .....	162,691	168,479	176,488	166,202	164,052	158,632	157,647	148,114	134,974	127,345
<b>VEHICLE REVENUE HOURS (1)</b>										
Motor bus .....	873,696	874,376	871,122	875,770	858,610	830,384	831,841	815,878	821,178	802,130
Demand responsive .....	134,722	138,253	145,949	130,477	124,912	117,240	118,654	114,006	108,546	105,574
<b>DIESEL FUEL CONSUMPTION (IN GALLONS) (1)</b>										
	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	3,361,994
<b>FLEET REQUIREMENTS (DURING PEAK HOURS) (1)</b>										
Motor bus .....	362	360	358	359	344	325	325	325	324	324
Demand responsive .....	46	46	53	48	43	43	48	48	48	48
<b>TOTAL REVENUE VEHICLES DURING PERIOD (1)</b>										
Motor bus .....	438	481	432	432	430	390	390	390	388	388
Demand responsive .....	52	94	53	53	53	53	53	53	51	52
<b>NUMBER OF FULL TIME EMPLOYEES (2)</b>										
	818	831	824	787	793	786	785	801	814	744

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, 2009**

**ACCESS**

1801 Transpark Drive, Cincinnati, Ohio 45229-1239

**Building Total Sq. Footage** **76,516**

Which includes:

Office space	9,685
Operations	21,480
Maintenance	11,793
Storage	33,560

**Real Estate Acreage** **5.65**

Sq. ft. parking lot 41,430

**SILVERTON**

1000 Montgomery Road, Cincinnati, Ohio 45236-3835

**Building Total Sq. Footage** **3,237**

Which includes:

Office space	1,260
Operations	1,927
Maintenance	0
Storage	50

**Real Estate Acreage** **2.25**

Sq. ft. parking lot 28,800

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

**FOREST PARK, PARK AND RIDE**

1160 Kemper Meadow Drive, Cincinnati, Ohio 45240

**Real Estate Acreage** **2.34**

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

(continued)



Southwest Ohio Regional Transit Authority

**Capital Asset Information as of December 31, 2009 (continued)****PARATRANSIT VEHICLES**

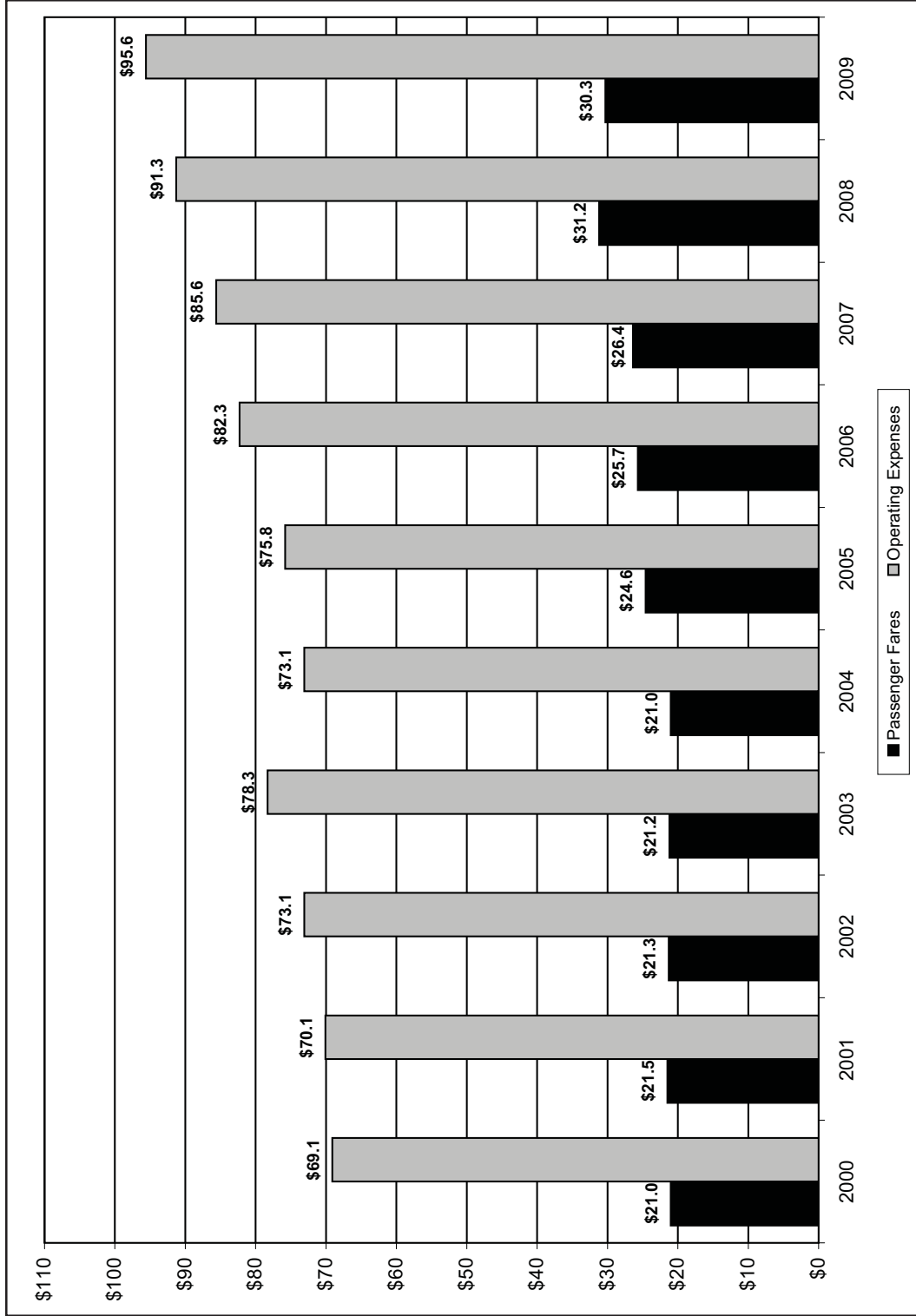
<b>Quantity</b>	<b>Year</b>	<b>Manufacturer</b>
1	2000	Eldorado
6	2001	Eldorado
12	2002	Eldorado
3	2005	Eldorado
7	2006	Ford
15	2007	Eldorado
9	2008	Eldorado
<b>53</b>	<b>Total Paratransit Vehicles</b>	

**BUSES**

<b>Quantity</b>	<b>Year</b>	<b>Manufacturer</b>
43	1997	Gillig
40	1998	Gillig
28	1999	Gillig
6	2000	Gillig
51	2001	Gillig
38	2002	Gillig
21	2004	Gillig
2	2005	Gillig
40	2006	Gillig
1	2008	Gillig
30	2008	New Flyer
37	2009	New Flyer
<b>337</b>	<b>Total Buses</b>	

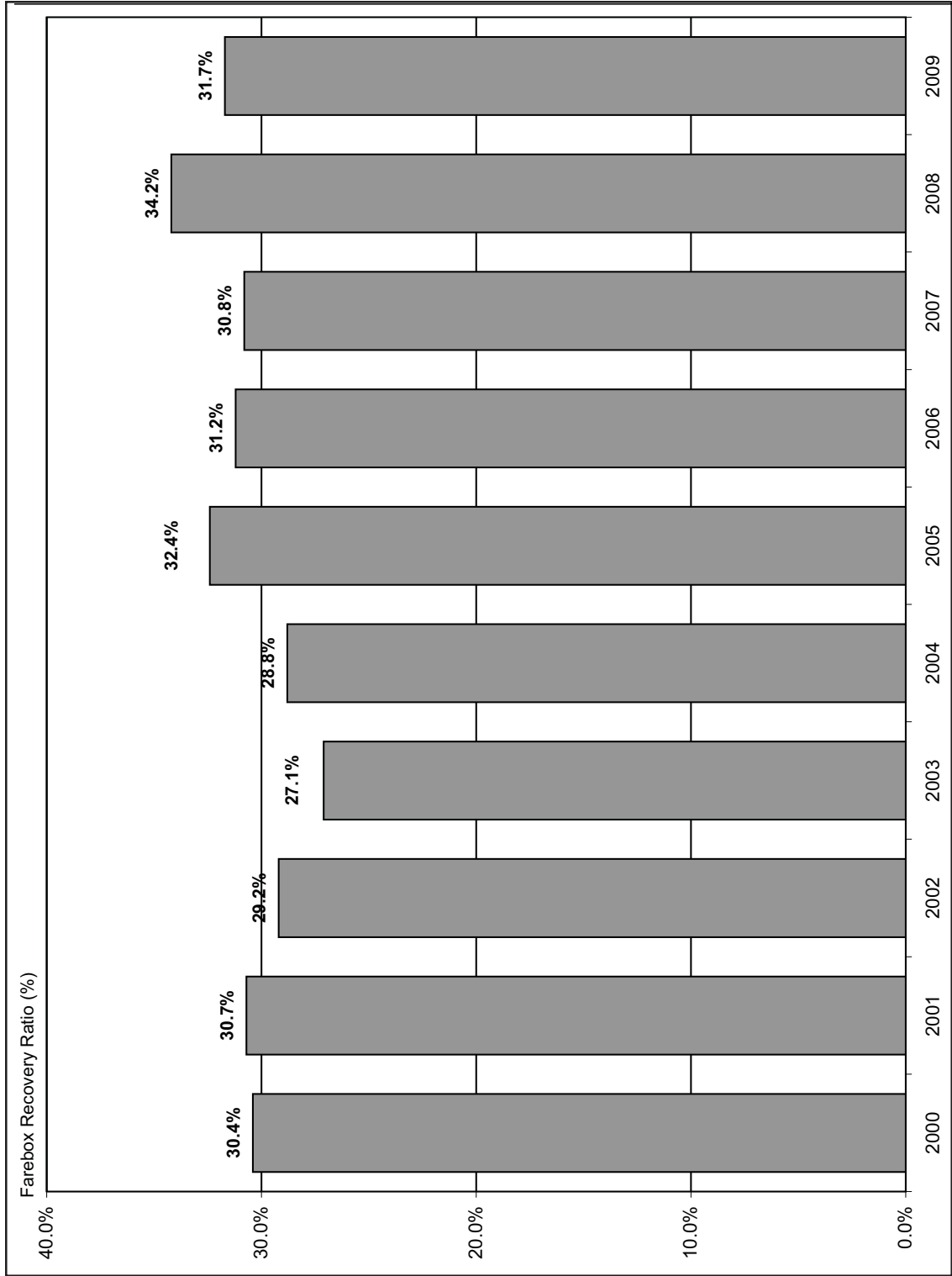
Southwest Ohio Regional Transit Authority

**Passenger Fares vs. Operating Expenses—Last Ten Years**  
(dollars in millions)



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. 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. 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**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>CASH OR TOKEN FARES</b>										
Zone 1 fare (3)						\$1.00	\$1.00	\$1.00	\$1.50	\$1.50
Zone 2 fare (3)						\$1.50	\$1.50	\$1.50	\$2.00	\$2.00
Zone 3 fare (3)						\$2.00	\$2.00	\$2.00	\$2.50	\$2.50
Weekday peak hours (6 to 9 am and 3 to 6 pm)	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80					
Weekday non peak hours	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65					
Weekday zone fare (zone 2) (3)	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30					
Weekday zone fare (zone 3) (3)	\$0.60	\$0.60	\$0.60	\$0.60	\$0.60					
Weekday zone fare (per zone, beyond first zone) (3)	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30					
Parking Meeter shuttle (Monday - Friday)	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Downtown midday shuttle (Monday - Friday)	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25					
Weekend flat rate (no zone fares apply)	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50					
Weekday Transfers	\$0.10	\$0.10	\$0.10	\$0.10	\$0.15	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
Transfers					\$0.25	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
Access Zone 1 (1)	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Access Zone 2 (1)	\$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	\$3.50
Express Service (Monday - Friday) (Warren County)								\$3.25	\$3.75	\$4.25
Express Service (Monday - Friday) (Eastgate, Harrison)						\$2.00	\$2.00	\$2.50	\$2.50	\$3.00
Eastgate Express Service (Monday - Friday)										
Express Services (Monday - Friday)	\$1.50	\$1.75	\$1.75	\$1.75	\$1.75					
Harrison Express Service (Monday - Friday)	\$1.75	\$2.00	\$2.00	\$2.00	\$2.00					
Warren County and Fort Washington Way Service Fares										
<b>MONTHLY PASSES</b>										
MetroCard Zone 1 Pass (zone one) (3)	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$40.00	\$40.00	\$40.00	\$55.00	\$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	\$52.00	\$60.00	\$60.00	\$60.00	\$75.00	\$90.00
MetroCard B Pass (two zones, weekdays only) (3)										
MetroCard Zone 3 Pass (three zones) (3)	\$56.00	\$70.00	\$70.00	\$70.00	\$72.00	\$80.00	\$80.00	\$95.00	\$95.00	\$120.00
MetroCard C Pass (three zones, weekdays only) (3)										
MetroCard Zone 4 Pass (Butler County)										
MetroCard All Pass (express routes and three zones)						\$90.00	\$90.00	\$105.00	\$115.00	\$140.00
Metro/Tank Pass (zone one) (3)	\$45.00	\$50.00	\$50.00	\$60.00	\$60.00	\$70.00	\$70.00	\$70.00	\$85.00	\$90.00
Metro/Tank Pass (zone one, weekdays only) (3)	\$19.00	\$19.00	\$19.00	\$19.00	\$19.00	\$24.50	\$24.50	\$24.50	\$32.50	\$32.50
Fare Deal (2) (three zones) (3)	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00					
Weekend Pass										

(continued)

Southwest Ohio Regional Transit Authority

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>DISCOUNT FARES (Fare Deal (2) and Children under 45")</b>										
Zone 1 fare						\$0.50	\$0.50	\$0.50	\$0.75	\$0.75
Zone 2 fare						\$0.75	\$0.75	\$0.75	\$1.00	\$1.00
Zone 3 fare						\$1.00	\$1.00	\$1.00	\$1.25	\$1.25
Fare Deal (2) flat rate (no zone fares apply)	\$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					

- (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).

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Vehicle Operations	609.0	617.0	614.0	607.0	591.0	595.0	595.0	579.0	585.0	513.0
Vehicle Maintenance	188.0	194.0	199.0	187.0	186.0	182.0	187.0	195.0	202.0	187.0
Non-Vehicle Maintenance	29.0	31.0	28.0	30.0	29.0	24.0	29.0	34.0	30.0	34.0
General Administration	94.0	97.0	100.5	88.0	87.5	85.0	86.5	90.0	93.5	89.0
Paratransit Service	6.5	9.5	8.5	9.5	9.0	9.0	10.5	15.0	9.5	7.7
<b>Total Employees</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>	<b>830.5</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	11
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)	239
Miles of route	610
Number of routes	54
Wheelchair accessible standard buses	337
Average system speed (miles per hour)	
Motor bus	13.9
Demand responsive	16.2
Customer information calls answered	746,798







**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  
SEPTEMBER 28, 2010**