

**SOUTHWEST OHIO REGIONAL  
TRANSIT AUTHORITY  
Cincinnati, Ohio**

**REPORTS ISSUED PURSUANT TO  
THE OMB CIRCULAR A-133  
December 31, 2011**





# Dave Yost • Auditor of State

Board of Trustees  
Southwest Ohio Regional Transit Authority  
602 Main Street, Suite 1100  
Cincinnati, Ohio 45202-2549

We have reviewed the *Independent Auditor's Report* of the Southwest Ohio Regional Transit Authority, Hamilton County, prepared by CliftonLarsonAllen LLC, for the audit period January 1, 2011 through December 31, 2011. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 18, 2012

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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, 2011, and have issued our report thereon dated June 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting 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 effectiveness of the Authority's 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, detect and correct 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 was not designed to 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 14, 2012.

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.

*CliftonLarsonAllen LLP*

Toledo, Ohio  
June 15, 2012



## CliftonLarsonAllen

### **Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 Southwest Ohio Regional Transit Authority's (the "Authority") compliance with the types of compliance requirements described in *the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Item 2011-1.

#### **Internal Control Over Compliance**

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 deficiencies, 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, 2011, and have issued our report thereon dated June 15, 2012 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on the response.

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.

*CliftonLarsonAllen LLP*

Toledo, Ohio  
June 15, 2012

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2011**

<u>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Federal expenditures</u>
U. S. Department of Transportation:			
Federal Transit Administration (FTA):			
Federal Transit Cluster:			
Received directly from FTA:			
Formula Grants	20.507	OH-90-X203	\$ 27,074
Formula Grants	20.507	OH-90-X265	91,827
Formula Grants	20.507	OH-90-X319	139,072
Formula Grants	20.507	OH-90-X343	290,307
Formula Grants	20.507	OH-90-X521	4,177
Formula Grants	20.507	OH-90-X584	21,965
Formula Grants	20.507	OH-90-X628	215,850
Formula Grants	20.507	OH-90-X669	676,050
Formula Grants	20.507	OH-90-X678	65,720
Formula Grants	20.507	OH-90-X726	8,454,151
Formula Grants	20.507	OH-90-X765	3,603,759
Formula Grants	20.507	OH-95-X015	24,243
Formula Grants	20.507	OH-95-X044	150,878
Formula Grants	20.507	OH-95-X056	2,622
Formula Grants "ARRA"	20.507	OH-96-X004	<u>6,482,513</u>
			<u>20,250,208</u>
Passed-through the Ohio Department of Transportation:			
Congestion Mitigation and Air Quality Program (CMAQ)	20.507	OH-95-X050	1,875,207
CMAQ	20.507	OH-95-X077	3,750,414
Surface Transportation Program	20.507	OH-95-X058	<u>3,542,988</u>
			<u>9,168,609</u>
Subtotal CFDA 20.507			<u>29,418,817</u>

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2011**

<u>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA number</u>	<u>Grant number</u>	<u>Federal expenditures</u>
U. S. Department of Transportation:			
Federal Transit Administration (FTA):			
Federal Transit Cluster, Continued:			
Received directly from FTA:			
Capital Improvements Grant	20.500	OH-03-0276	\$ 857,320
Capital Improvements Grant	20.500	OH-03-0295	43,306
Capital Improvements Grant	20.500	OH-03-0303	1,184
Capital Improvements Grant	20.500	OH-04-0081	<u>400,000</u>
Subtotal CFDA 20.500			<u>1,301,810</u>
Federal Transit Administration – Clean Fuels	20.519	OH-58-0005	<u>2,184,338</u>
Total Federal Transit Cluster			<u>32,904,965</u>
U. S. Department of Transportation:			
Federal Transit Administration (FTA):			
Transit Services Program Cluster:			
Received directly from FTA:			
Job Access:			
Reverse Commute	20.516	OH-37-4050	45,024
Reverse Commute	20.516	OH-37-4075	<u>301,720</u>
Total Transit Services Program Cluster			<u>346,744</u>
U. S. Department of Homeland Security:			
Passed-through the Ohio Department of Public Safety:			
Emergency Management Agency	97.075	2008-RL-T8-0010	317,982
Emergency Management Agency	97.075	2009-RA-T9-0039	<u>2,506</u>
Subtotal CFDA 97.075			<u>320,488</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 33,572,197</u></b>

This schedule should be read only in connection with  
the accompanying note to the schedule.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2011**

**NOTE 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, 2011. 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.

There are no noncash federal awards, loans or guarantees.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2011**

**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?        yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?        yes   X   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?   X   yes        no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.500, 20.507, and 20.519</u>	<u>Federal Transit Cluster</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 1,007,166

Auditee qualified as low-risk auditee?   X   yes        no

**Section II – Financial Statement Findings**

None.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
Year Ended December 31, 2011**

**Section III – Federal Award Findings and Questioned Costs**

**Reference 2011-1– Procurement**

Grant from the U.S. Department of Transportation  
Federal Transit Cluster  
CFDA 20.500, 20.507, and 20.519

**Criteria**

Utilization of FTA funds through procurement of contractual relationships requires compliance with applicable Federal requirements and Ohio Revised Code (ORC).

**Condition**

We identified various instances during our contract testing whereby SORTA lacked documentation supporting compliance with accessibility clauses, DBE certifications, Auditor of State finding for recovery verification, cost price analysis, final evaluation and review, and sole/single source authorizations.

**Questioned Costs**

None.

**Effect**

Procedures were not followed or documentation was not maintained to ensure adherence to procurement procedures necessary to be in compliance with FTA and ORC requirements.

**Authority's Response and Planned Corrective Action**

SORTA had previously identified and addressed this problem. In September of 2011, SORTA issued a revised Procurement Policies and Procedures Manual complying with the FTA Circular 4220.1F, and has conducted company-wide training for all executive and administrative staff. This training will be continued for new employees on a quarterly basis. Further, to ensure that procurement staff members are completing the correct steps, procurement procedural memoranda have been developed and the procurement staff trained accordingly.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY  
SUMMARY OF PRIOR AUDIT FINDINGS  
Year Ended December 31, 2011**

None.

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY



# Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2011

People you know... go\*METRO

Southwest Ohio Regional Transit Authority  
Hamilton County, Ohio

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2011

J. Thomas Hodges  
Chair  
Board of Trustees

Terry Garcia Crews  
CEO & General Manager

Prepared by:  
Department of Accounting and Budget

Southwest Ohio Regional Transit Authority

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2011

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SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY



## Introductory Section

Comprehensive Annual Financial Report

People you know... **go\*METRO**

# SORTA

Southwest Ohio Regional  
Transit Authority

602 Main Street, Suite 1100  
Cincinnati, Ohio 45202-2549  
513/632-7610

## Trustees

J. Thomas Hodges  
**Chair**

Suzanne Burke  
**Vice Chairperson**

Frank H. Bowen  
Todd L. Cooper  
Jason Dunn  
Gregg L. Hothorn  
William L. Mallory, Sr.  
Ken Reed  
Gwen L. Robinson  
Karl B. Schultz  
Lamont Taylor  
Bradley W. Thomas  
Joseph D. Zimmer

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Lou Ann Hock  
**Secretary-Treasurer**

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

## SORTA's Mission

To connect people and places,  
support economic development,  
and improve quality of life  
in the region.



go\*METRO  
**ACCESS**

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

June 15, 2012

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, 2011. 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, CliftonLarsonAllen LLP, has issued an unqualified ("clean") audit opinion on SORTA's financial statements for the fiscal year ended December 31, 2011. CliftonLarsonAllen's report can be found on page 13 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 CliftonLarsonAllen 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, 2011, was issued with an unqualified ("clean") opinion.

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, 2010, representing the 20th 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 Auditor's Report, Management's Discussion and Analysis, the financial statements (with related footnotes) for the years ended December 31, 2011 and 2010, and the supplemental schedule of revenues, expenses, and changes in net assets— budget and actual for the year ended December 31, 2011.

**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, Metro and Access. Metro provides fixed route bus service throughout the service area. Currently, there are 50 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 2011, Metro operated a total of 767,000 hours of service over 11.1 million miles, providing approximately 18.8 million rides.

Access provides demand-response, 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 2011, Access provided about 185,000 passenger trips over 1.5 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. The 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 resolution that created SORTA, as amended in 2008, also authorizes SORTA to evolve into a multi-state regional transit commission in the future and possibly expand the number of Trustees to 17.

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 were provided through a contract with Professional Transit Management through June 30, 2011, after which the CEO was hired directly as a full-time employee of SORTA. 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.

## **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.

## **YEAR IN REVIEW**

Management's Discussion and Analysis (MD&A) on pages 15-19 of this CAFR 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.

One could say that 2011 was somewhat of a rebuilding year for SORTA. With a new management team in place, the theme for the year was “Back to Basics.” The service cuts and fare increases implemented in 2010 as a result of the nationwide economic recession were effective in stabilizing SORTA financially in the short term, but on-going funding levels from the City of Cincinnati Income Tax Transit Fund, as well as Federal and State sources, were still uncertain heading into 2011. With little reliable funding for growth, our focus shifted to maximizing operational efficiencies and improving service delivery through “safe, on-time, clean and friendly service.” Using Federal funds from 2009’s American Recovery and Reinvestment Act and capital grants from prior years, we accomplished two major infrastructure projects that address both of these objectives:

- We replaced the outdated and functionally obsolete CAD/AVL systems (i.e., radio and vehicle locator systems) on our buses, with newer more modern digital equipment. This \$8.7 million project was necessary in order to (a) upgrade our equipment to current technology standards, and (b) provide the foundation on which to build modern customer amenities such as real-time arrival/departure information and mobile smart-phone applications.
- We installed new fareboxes on all buses in the fleet, replacing 13-year old equipment running on outdated technology that was not capable of responding to today’s information needs. This was a \$3.9 million project that will provide numerous improvements, including (a) rejection of cash that is not valid U.S. currency, (b) flexibility to offer multiple non-cash fare media, such as day passes, weekly passes, 30-day rolling passes, stored value cards, re-loadable smart cards, etc., and (c) updated technology that will link to the new CAD/AVL system and provide more accurate, more detailed information on our ridership than was previously possible.

The regional economy showed only modest improvements in 2011, as outlined in the Economic Condition section below. SORTA’s fixed route ridership was mostly flat to slightly lower overall. Total passenger fare revenue was down by \$0.4 million, or about 1.7%, due primarily to lower monthly pass sales and an increasing migration of full-fare customers to discounted fare programs such as Fare Deal, which provides half fare for elderly and disabled riders. Total Expenses were also lower for the year, as we were able to offset increases in wages, health care and fuel with savings in other areas, such as sick leave, utilities and professional services; thus we were able to end the year with a balanced budget despite the drop in revenue.

SORTA’s overall financial condition remains stable in the short term, and our 2012 Budget was approved with no further fare increases, service reductions or layoffs. However, significant challenges remain. Although revenues from the City of Cincinnati Income Tax Transit Fund are increasing with the improving economy, these funds represent less than half of SORTA’s total operating budget. As fuel, health insurance and other operating costs continue to increase, it may be difficult for SORTA to balance its budget beyond 2012 without additional funding or changes in fares and service levels.

## **ECONOMIC CONDITION AND OUTLOOK**

### **General**

SORTA’s primary service area is in Hamilton County, which 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. 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
2010	296,943	802,374

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Source: U.S. Bureau of the Census

The MSA population estimate for the most recent U.S. Census in 2010 was 2.1 million. Hamilton County's population was 802,374, which comprises about 38 percent of the 13-county total. The Census results reveal that the region continues to lose population. For example, the City of Cincinnati, with an estimated population of 296,943, lost more than 10 percent of its population over the past decade, falling below 300,000 people for the first time in more than a century. The city was among the biggest losers according to figures released by the census bureau that showed widespread population drops in urban centers throughout Ohio.

As reported in the *2012 Economic Outlook* published by the Cincinnati USA Partnership for Economic Development in November 2011, the regional economy in 2011 continued to see slow growth as it worked its way out of the downturn that began in 2008. Although this growth has been uneven at times, overall movement has been positive. The economy has so far held off a double-dip recession and produced nine straight quarters of expansion. Positive signs are visible within the current economic setting, but they are clouded by the uncertainty presented through government and regulatory changes, banking policies, gasoline prices, unemployment, and real estate issues. This uncertainty inhibits the business investments that lead to long term gains in the economy, thus perpetuating the slow-moving growth of the last two years.

## Employment

The downturn in the labor market has been well documented. If the recession is over, the question turns to how quickly jobs will begin returning to the marketplace. The economy is improving, with employment up and unemployment down, but these improvements are small relative to the overall decline during the recession. According to the *2012 Economic Outlook*, during the six-year expansion between November 2001 and December 2007, the Cincinnati metro area added 44,200 jobs, an increase of 4.4%; but by the end of the recession the metro area had lost 62,400 jobs, a decrease of 5.9%. Since the start of the recovery more than two years ago, only 2,900 net new jobs have been created in the metro area. Employment is forecasted to increase 1.4% in 2012, adding 13,900 jobs.

## Unemployment

Nationally, the recession was severe and placed great stress on the labor market. The unemployment rate rose to the highest it has been in over a quarter century, and the share of unemployment accounted for by the long-term unemployed (persons out of work for more than 27 weeks) reached the highest ever recorded. In Cincinnati, the number of employed residents in the Cincinnati MSA barely increased, rising just 0.1% or 1,290 people between 2000 and 2010. During this same period, the number of unemployed residents nearly tripled climbing from 37,200 to 109,000 residents.

### Average Unemployment Rates

<u>Year</u>	<u>Hamilton County</u>	<u>Ohio</u>	<u>U.S.</u>
2007	5.0%	5.6%	4.6%
2008	5.6%	6.5%	5.8%
2009	8.9%	10.2%	9.3%
2010	9.4%	10.1%	9.6%
2011	8.6%	8.7%	9.0%

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

As shown in the table above, the unemployment rate in Hamilton County has come down a bit over the past 12 months, ending the year at an average annual rate of 8.6%. It is expected to decline even further in 2012, but it is still quite high compared to the average unemployment rate of 4.4% during the decade prior to the recession.

### Outlook

The Cincinnati USA Regional Chamber's consensus forecast presented in its *2012 Economic Outlook* report predicts a continued slow recovery for the region in 2012. We believe there are a number of positive factors which differentiate Cincinnati from many of its peer cities, providing a solid foundation upon which much of this future recovery will be based:

- **Access to transportation.** Cincinnati is located at the crossroads 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 on the Ohio River, and its milder climate offers year-round transport.

The Greater Cincinnati Northern Kentucky International Airport (CVG) offers approximately 170 daily departures, with non-stop service to 52 cities, including non-stop international service to Paris, Toronto, Montreal, and Cancun. CVG offers more daily flights and serves more non-stop destinations than surrounding regional airports, including Dayton, Columbus, Indianapolis, Lexington and Louisville. CVG is also home to DHL's main North American air hub.

- **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 situation, this economic diversity has helped the region weather downturns that have been devastating to other cities. 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.

- **Housing and Development.** In 2009, *Forbes* magazine ranked the Greater Cincinnati area as one of the country's top five "Most Affordable Places to Live," due largely to the region's #4 ranking for housing affordability based on the percentage of properties available to a typical family making the median regional income. In a similar survey, *Forbes* also ranked Greater Cincinnati as one of the top 10 regions in the country where it is less expensive to buy than rent. Although the real estate market in Cincinnati suffered during the recession, the impact here has been less severe than in other areas of the country. And despite the recession, there has been a lot of positive energy in recent years, particularly downtown, with a number of significant projects at various stages of development, including: new residential and entertainment development in the Banks area on the riverfront, the new Horseshoe Casino on the northeast corner of downtown, continued revitalization of the historic Over-the-Rhine neighborhood, and a new 3.6-mile modern streetcar line connecting the Banks to Over-the-Rhine.

## FUTURE PROJECTS

The Back to Basics campaign in 2011 included the development of a new three-year plan to look critically at how we serve the community and how we can better meet the needs of a growing region. One of the cornerstones of this plan is performing a comprehensive operational analysis, or COA. The COA is necessary to evaluate our current service levels (i.e., routes, times, geographic area covered) relative to the needs of the community. While our current structure has served the community well for many years, the region has changed over time. Jobs and housing have become more dispersed, while SORTA's services have remained primarily within the City of Cincinnati, with only limited service outside Hamilton County. Once completed, the COA will provide the basis for making our current service levels more productive, as well as a blueprint for growth once sufficient additional funding sources are identified.

Other major initiatives planned in 2012 include the following:

- Breaking ground on the first phase of the Cincinnati Streetcar Project, which is managed by City of Cincinnati, but will be built in part with Federal funding passed through from SORTA.
- Introduction of new fare payment options, including 30-day rolling passes, stored value cards and re-loadable smart cards. We're also planning to install a new automated vending machine for fare media at our main Government Square transit hub downtown, to make purchasing a pass even more convenient.
- Begin the design phase for a new Transit District in the University of Cincinnati/Uptown area, including enhanced bus shelters and real-time arrival information, to enhance Metro's visibility and ease of use in this thriving neighborhood which has the second-largest concentration of jobs in the Greater Cincinnati area.
- Begin the planning phase for a new Bus Rapid Transit ("BRT") line—a pilot project which would run from the suburbs along Montgomery Road on the east side, to the Uptown area and downtown. BRT provides faster, more reliable service by limiting stops, running on regular intervals, and utilizing priority control over traffic signals.

## 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.

A handwritten signature in black ink that reads "Terry Garcia Crews". The signature is written in a cursive style with a large, looping initial "T".

Terry Garcia Crews  
CEO & General Manager

Southwest Ohio Regional Transit Authority

## **Board of Trustees and Administration as of December 31, 2011**

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### **Administration**

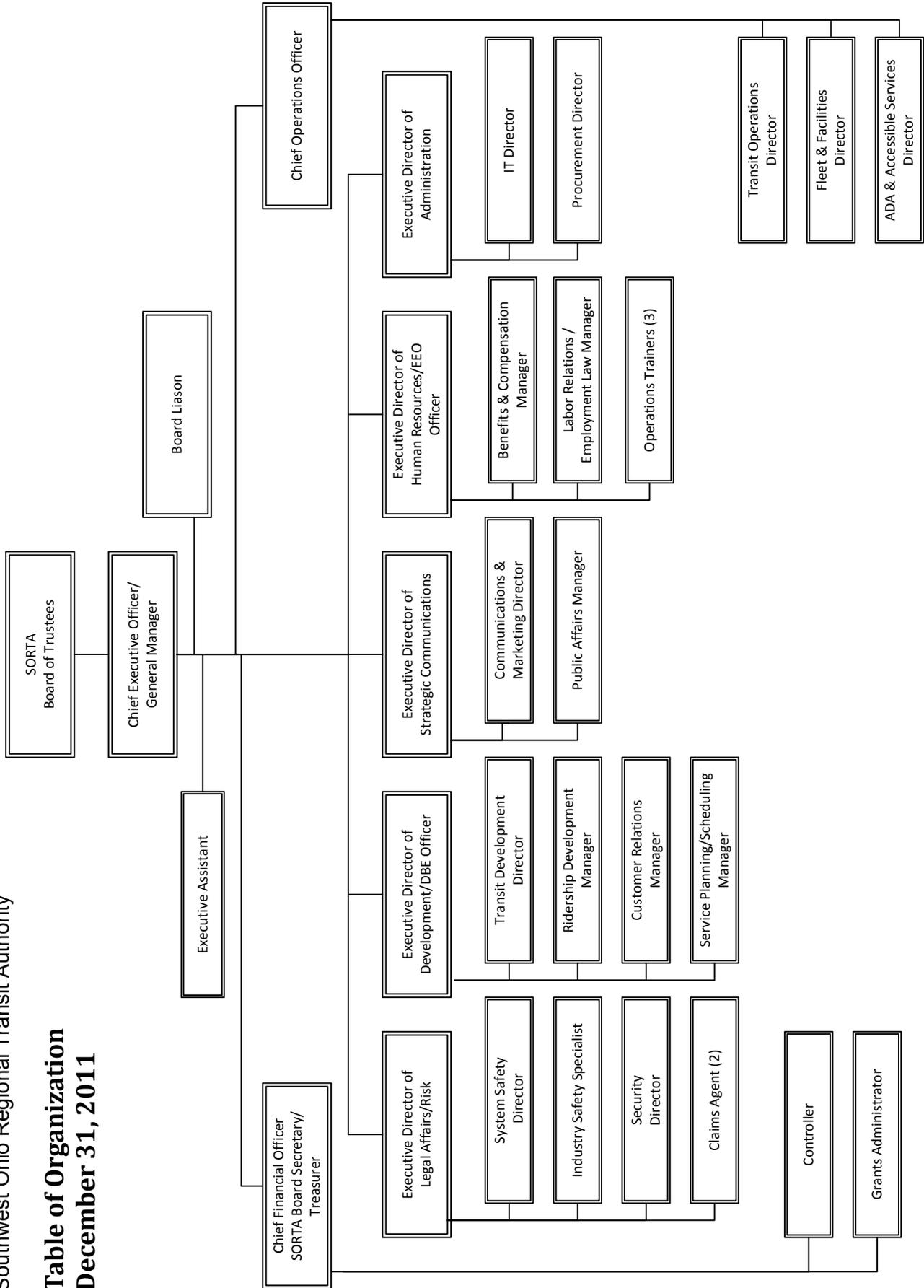
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Southwest Ohio Regional Transit Authority

**Table of Organization  
December 31, 2011**



# 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, 2010

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.



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## Financial Section

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### Independent Auditor's Report

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

We have audited the accompanying basic financial statements of Southwest Ohio Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2011 and 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the basic financial statements of the Authority as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012 on our consideration of the Authority's internal control over financial reporting and on 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.

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the supplemental schedule of revenues, expenses and changes in net assets – budget and actual (GAAP basis) for the year ended December 31, 2011 on pages 15 through 19 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and the statistical tables are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The introductory section and statistical tables listed in the table of contents 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.

*CliftonLarsonAllen LLP*

Toledo, Ohio  
June 15, 2012

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, 2011. 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 2011 were \$100.2 million, which represents an increase of \$11.4 million, or 12.8%, compared to the balance at the end of 2010;
- Operating revenue for the year was \$24.1 million, which represents a decrease of about \$0.2 million, or 0.9%, over 2010;
- Operating expenses for the year (excluding depreciation and grant pass-throughs) were \$84.3 million, which represents a decrease of \$0.9 million, or 1.0%, over 2010;
- Non-operating revenues, including federal, state and local subsidies, were \$60.2 million in 2011, which represents a decrease of \$0.4 million, or 0.7%, compared to 2010.

### Overview of Financial Statements

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

### Required Financial Statements

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

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

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

The 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

Southwest Ohio Regional Transit Authority

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

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>2011</b>	<b>2010</b>	<b>2009</b>
Current assets	\$31,037	\$27,995	\$32,487
Non-current assets	9,876	7,125	6,447
Capital assets - net	99,958	88,555	90,627
<b>Total assets</b>	<b>\$140,871</b>	<b>\$123,675</b>	<b>\$129,561</b>
Current Liabilities	\$23,189	\$24,007	\$24,967
Non-current liabilities	17,481	10,871	13,725
<b>Total liabilities</b>	<b>40,670</b>	<b>34,878</b>	<b>38,692</b>
Net assets			
Invested in capital assets	99,958	88,555	85,627
Restricted	4,350	745	3,661
Unrestricted	(4,107)	(503)	1,581
<b>Total net assets</b>	<b>100,201</b>	<b>88,797</b>	<b>90,869</b>
<b>Total liabilities and net assets</b>	<b>\$140,871</b>	<b>\$123,675</b>	<b>\$129,561</b>

Net assets may serve as a useful indicator of the Authority's financial position. As of December 31, 2011, the Authority's total assets exceeded total liabilities by \$100.2 million, which is an increase in net assets of \$11.4 million, or 12.8%, from 2010. As of December 31, 2010, the Authority's total assets exceeded total liabilities by \$88.8 million, which was a decrease in net assets of \$2.1 million from 2009.

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 as of December 31, 2011, amounts to \$99.9 million, net of accumulated depreciation, which is an increase of \$11.3 million, or 12.8%, compared to 2010. Major capital asset expenditures during 2011 include the following:

- 14 new 40-foot, low-floor, diesel-electric hybrid buses at a cost of \$8.8 million, replacing 14 older diesel buses that had exceeded their 12-year useful life;

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis (continued)

- \$7.0 million to complete the installation of a new \$8.7 million digital CAD/AVL system (i.e., computer aided dispatch /automated vehicle locator) on the entire fleet, including updated equipment in the radio control center—a two-plus year project that replaced outdated equipment which was beyond the end of its useful life and had become functionally obsolete;
- New fareboxes for all buses in the fleet, including related back office software and equipment, at a cost of \$3.9 million, replacing 13-year-old fareboxes that had exceeded their useful life and had become unreliable and incapable of supporting the information needs of a modern system; and
- \$0.7 million to complete the construction of the new Glenway Crossing transit center/park and ride, which serves as the terminus for SORTA's first direct express route from Cincinnati's west side neighborhoods to the Uptown area.

These additions were partially offset by depreciation expense for the year of \$10.6 million, which accounts for the increase in net assets from 2010 to 2011.

In 2010, there were significantly fewer capital expenditures. For the year, total depreciation expense exceeded capital additions by \$1.8 million, which represents the bulk of the \$2.1 million decrease in net assets from the end of 2009 to 2010.

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)

	For the years ended December 31,		
	2011	2010	2009
Operating revenues	\$24,081	\$24,309	\$23,018
Operating expenses other than depreciation	84,271	85,163	92,606
Depreciation and amortization expense	10,608	11,485	11,109
Grant pass throughs	271	351	2,989
Total operating expenses	<u>95,150</u>	<u>96,999</u>	<u>106,704</u>
Operating loss	(71,069)	(72,690)	(83,686)
Non-operating revenues, net	60,179	60,626	69,588
Federal grant pass throughs	271	351	2,989
Net loss before capital grant activity	<u>(10,619)</u>	<u>(11,713)</u>	<u>(11,109)</u>
Capital contributions	22,023	9,641	31,184
Change in net assets	11,404	(2,072)	20,075
Net assets, beginning of year	88,797	90,869	70,794
Net assets, end of year	<u>\$100,201</u>	<u>\$88,797</u>	<u>\$90,869</u>

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis (continued)

### Operating Revenues

The Authority's operating revenues were \$24.1 million in 2011, which represents a decrease of \$0.2 million, or 0.9%, compared to 2010. The decrease is due primarily to lower passenger fares on Metro fixed route service. Total fixed route ridership showed a slight decrease from 2010 (0.2%), and a higher percentage of these rides were provided under the Fare Deal discount program for elderly and disabled, resulting in lower fare revenue overall. These lower fixed route fares were partially offset by an increase in bus advertising revenues and higher passenger fares on Access paratransit service due to the full year effect of fare increases implemented in mid-2010.

In 2010, the Authority's operating revenues were \$24.3 million, which represents an increase of \$1.3 million, or 5.6% over 2009, due primarily to an increase in passenger fares. The increase in fare revenue is due to the rate increases enacted on December 27, 2009, in order to help offset significant decreases in federal, state and local subsidies. For fixed route service, base fare increased by \$0.25 to \$1.75, with equivalent increases in monthly passes and zone fares; transfer fares doubled from \$0.25 to \$0.50. Fares on Access paratransit service increased significantly from \$1.50 to \$3.50 in Zone 1 (City of Cincinnati) and from \$2.00 to \$4.50 outside Zone 1. These rate increases were partially offset by decreases in ridership due to reductions in service levels (i.e., 12% reduction in Metro fixed route service and the elimination of Access paratransit service in excess of the requirements of the Americans with Disabilities Act) that were implemented at the same time, in addition to the rate increases.

### Operating Expenses

The Authority's operating expenses other than depreciation were \$84.3 million in 2011, which represents a decrease of \$0.9 million, or 1.0%, from 2010. Although wages and benefits were higher in 2011 due to a \$500 lump sum payment to all employees that was negotiated in the new collective bargaining agreement with the Amalgamated Transit Union effective February 1, 2011, increased health insurance costs, and the filling of some salaried positions that were open for some or all of 2010 (including the direct hiring of SORTA's CEO after the management contract with Professional Transit Management expired and was not renewed), these increases were offset by reductions in a number of other expense categories, including the following:

- Lower casualty and liability claims, due to larger than normal claims in 2010;
- Lower professional services, due to reduced Federal lobbying expenses, less usage of outside consultants, and the discontinuation of the SORTA management contract in July;
- Lower utilities costs, due to lower negotiated rates and milder weather overall;
- More favorable adjustments to the reserve for retiree life insurance, due to an unusually large unfavorable adjustment in 2010 resulting from a decrease in the interest rate assumption in the present value calculation; and
- Lower sick/vacation/holiday pay due to fewer claims and the timing of the 2011 New Years Day holiday, which was recognized in 2010.

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis (concluded)

In 2010, the Authority's operating expenses other than depreciation were \$85.2 million, which represents a decrease of \$7.4 million, or 8.0% from 2009 due to the aforementioned service reductions, administrative cost cuts, and related employee layoffs. All combined, these actions resulted in the elimination of 109 positions, including bus operators, mechanics and administrative personnel. Additionally, casualty and liability claims expense increased by \$0.8 million, or 85.5%, in 2010 due to a number of unusually large potential claims during the year.

### Non-Operating Revenues

Non-operating revenues were \$60.2 million in 2011, which is a decrease of \$0.4 million, or 0.7%, from 2010, due to a decrease in the amount of Federal formula funds used to fund preventive maintenance expenses, the elimination of state funding for the state formula program and elderly and handicapped fare assistance, and lower revenue from the Authority's service contract with Cincinnati Public Schools due to a reduction in service. These decreases were partially offset by an increase in operating assistance from the City of Cincinnati Income Tax-Transit Fund due to higher tax receipts, resulting in an overall net decrease in non-operating revenues of \$0.2 million.

Non-operating revenues were \$60.6 million in 2010, which is a decrease of \$9.0 million, or 12.9%, compared to 2009. This decrease is due primarily to the following:

- One-time sources of Federal funds in 2009 (\$4.2 million in "stimulus" funds and \$1.2 million biodiesel subsidy) did not recur in 2010;
- \$4.7 million reduction in operating subsidy from the City of Cincinnati Income Tax Transit Fund, due to lower tax collections as a result of the economic recession;
- \$453,000 decrease in state maintenance grants, reimbursements and special fare assistance due to reductions in the state apportionment formulas and lower fuel tax reimbursements from lower fuel consumption in 2010;
- These reductions are partially offset by an increase of \$2.2 million in Federal funds for preventive maintenance expenses in 2010, including \$535,000 received from the Ohio Department of Transportation through the Next Generation program, and \$1.7 million in Federal formula funds which SORTA reallocated from its capital replacement program.

### 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 20 Gillig buses. These leases carried a maturity date of February 1, 2011, and had a remaining principal balance due of \$5,000,000 as of December 31, 2009. These leases were paid off during 2010. There are no outstanding capital leases as of December 31, 2011 or 2010. 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, 2011 and 2010**

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$15,249,720	\$15,700,776
Investments (Note 4)	1,000,791	2,000,326
Receivables:		
Federal assistance	3,730,606	6,751,713
Other	1,007,657	1,287,173
Receivables for capital assistance-restricted	7,466,081	217,794
Inventory of materials and supplies	2,001,628	1,775,552
Prepaid expenses and other current assets	<u>580,598</u>	<u>261,827</u>
Total current assets	<u>31,037,081</u>	<u>27,995,161</u>
<b>Non-current assets:</b>		
Cash and cash equivalents-restricted (Note 4)	9,876,323	7,125,247
Capital assets (Notes 5 and 7):		
Land and buildings	14,619,351	14,619,351
Improvements	26,886,713	25,455,460
Revenue vehicles	115,865,246	118,955,954
Other equipment	36,167,131	24,194,145
Construction in progress	<u>3,377,061</u>	<u>1,993,196</u>
Total capital assets	196,915,502	185,218,106
Less allowance for depreciation and amortization	<u>96,957,523</u>	<u>96,663,368</u>
Capital assets, net	<u>99,957,979</u>	<u>88,554,738</u>
Total non-current assets	<u>109,834,302</u>	<u>95,679,985</u>
<b>Total assets</b>	<u><u>\$140,871,383</u></u>	<u><u>\$123,675,146</u></u>

(continued)

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

## Southwest Ohio Regional Transit Authority

**Balance Sheets  
as of December 31, 2011 and 2010 (continued)**

<b>LIABILITIES AND NET ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current liabilities:</b>		
Accounts payable	\$1,600,402	\$1,536,705
Capital expenditures payable	4,107,177	502,925
Accrued payroll	805,442	702,266
Accrued payroll taxes and other benefits (Note 8)	5,577,725	5,632,578
Current portion of estimated claims payable (Note 9)	2,764,000	2,643,000
Other current liabilities	3,291,398	3,475,798
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3):		
For capital purposes	5,042,938	9,513,844
Total current liabilities	<u>23,189,082</u>	<u>24,007,116</u>
<b>Non-current liabilities:</b>		
Deferred capital grants	12,992,057	6,597,424
Estimated claims payable, net of current portion (Note 9)	4,415,612	4,192,848
Deferred rent	53,342	57,738
Accrued pension cost (Note 8)	20,140	22,596
Total non-current liabilities	<u>17,481,151</u>	<u>10,870,606</u>
Total liabilities	<u>40,670,233</u>	<u>34,877,722</u>
<b>Net assets:</b>		
Invested in capital assets	99,957,979	88,554,738
Restricted for:		
Capital projects	3,952,643	338,951
Pass-through to sub-recipient	34,599	22,207
Other purposes	363,105	384,459
Unrestricted	(4,107,176)	(502,931)
Total net assets	<u>100,201,150</u>	<u>88,797,424</u>
<b>Total liabilities and net assets</b>	<u>\$140,871,383</u>	<u>\$123,675,146</u>

(concluded)

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

## Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Net Assets  
as of December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Operating Revenues</b>		
Passenger fares for transit service	\$22,778,217	\$23,211,093
Special transit fares	717,401	688,568
Auxiliary transportation revenue	585,094	409,246
<b>Total</b>	<u>24,080,712</u>	<u>24,308,907</u>
<b>Operating expenses other than depreciation:</b>		
Labor	39,632,145	38,283,646
Fringe benefits	18,725,326	19,395,012
Materials and supplies consumed	12,712,773	12,663,428
Services	3,371,039	3,725,780
Utilities	1,601,939	1,867,944
Casualty and liability	803,952	1,768,559
Taxes	851,344	852,797
Purchased transportation services	5,464,721	5,475,151
Leases and rentals	546,920	503,504
Miscellaneous	560,817	627,175
<b>Total</b>	<u>84,270,976</u>	<u>85,162,996</u>
Grant pass-through—Everybody Rides Metro Foundation	270,515	351,040
Depreciation and amortization (Note 5)	10,607,842	11,485,017
<b>Total operating expenses</b>	<u>95,149,333</u>	<u>96,999,053</u>
<b>Operating loss</b>	<u>(71,068,621)</u>	<u>(72,690,146)</u>

(continued)

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

## Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Net Assets  
as of December 31, 2011 and 2010 (continued)**

	<b>2011</b>	<b>2010</b>
<b>Non-operating revenues (expenses):</b>		
Federal maintenance grants and reimbursements (Note 6)	13,829,678	14,554,245
Federal grant pass-through—Everybody Rides Metro Foundation (Note 6)	270,515	351,040
State maintenance grants, reimbursements and special fare assistance (Note 6)	862,269	1,248,078
Local operating grants and special fare assistance (Note 6)	7,166,692	7,350,818
Investment income, net (Notes 4 and 7)	235,891	610,735
Decrease in fair value of investments	(46,390)	(506,530)
Non-transportation revenue	673,232	689,643
<b>Total</b>	<u>22,991,887</u>	<u>24,298,029</u>
<b>Loss before operating assistance provided by City of Cincinnati</b>		
<b>Income Tax-Transit Fund and capital grant activity</b>	(\$48,076,734)	(\$48,392,117)
<b>Operating assistance from the City of Cincinnati</b>		
<b>Income Tax-Transit Fund (Note 3)</b>	<u>37,457,491</u>	<u>36,678,828</u>
<b>Net loss before capital grant activity</b>	(10,619,243)	(11,713,289)
<b>Capital grant revenue (Note 6)</b>	<u>22,022,969</u>	<u>9,640,998</u>
<b>Increase (decrease) in net assets during the year</b>	11,403,726	(2,072,291)
<b>Net assets, beginning of year</b>	<u>88,797,424</u>	<u>90,869,715</u>
<b>Net assets, end of year</b>	<u>\$100,201,150</u>	<u>\$88,797,424</u>

(concluded)

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

## Southwest Ohio Regional Transit Authority

**Statements of Cash Flows  
for the years ended December 31, 2011 and 2010**

	2011	2010
<b>Operating Revenues Cash flows from operating activities:</b>		
Receipts from fares and special service	\$24,445,523	\$24,316,826
Payments to suppliers	(28,022,589)	(25,118,802)
Payments for labor and employee benefits	(58,224,882)	(56,715,433)
Payments for claims and insurance	(1,630,433)	(1,654,528)
	<u>(63,432,381)</u>	<u>(59,171,937)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from noncapital financing activities:</b>		
Transfer from City of Cincinnati Income Tax-Transit Fund	37,256,701	36,505,840
Federal maintenance grants and reimbursements	17,121,300	13,529,981
State maintenance grants, reimbursements and special fare assistance	862,269	1,820,764
Other local operating assistance received	7,166,692	7,350,818
	<u>62,406,962</u>	<u>59,207,403</u>
<b>Net cash provided by noncapital financing activities</b>		
<b>Cash flows from capital and related financing activities:</b>		
Capital grants received:		
City of Cincinnati Income Tax-Transit Fund	4,488,579	3,885,820
Federal, state and other local	19,680,507	8,518,417
Additions to capital assets	(22,032,683)	(9,434,329)
Payments of capital lease obligation	-	(5,000,000)
Interest paid on capital lease obligation	-	(241,280)
	<u>2,136,403</u>	<u>(2,271,372)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>		
<b>Cash flows from investing activities:</b>		
Net cash receipts from investment securities	953,145	9,043,267
Interest received	235,891	700,103
	<u>1,189,036</u>	<u>9,743,370</u>
<b>Net cash provided by investing activities</b>		
<b>Net increase in cash and cash equivalents</b>	2,300,020	7,507,464
<b>Cash and cash equivalents at beginning of year</b>	<u>22,826,023</u>	<u>15,318,559</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$25,126,043</u>	<u>\$22,826,023</u>

(continued)

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

Southwest Ohio Regional Transit Authority

**Statements of Cash Flows**  
**for the years ended December 31, 2011 and 2010 (continued)**

	<b>2011</b>	<b>2010</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	(\$71,068,621)	(\$72,690,146)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and Amortization	10,607,842	11,485,017
Non-transportation revenue	673,232	689,643
Changes in assets and liabilities:		
Other receivables	279,516	(47,626)
Restricted - receivables for capital assistance	(7,248,287)	1,756,907
Inventory of materials and supplies	(226,076)	115,751
Prepaid expenses and other current assets	(318,771)	749,310
Accounts payable	63,697	(1,111,233)
Capital expenditures payable	3,604,252	(2,893,659)
Accrued expenses	75,083	995,973
Other liabilities	(218,012)	386,715
Estimated claims payable	343,764	1,391,411
	<u>343,764</u>	<u>1,391,411</u>
<b>Net cash used in operating activities</b>	<u><u>(\$63,432,381)</u></u>	<u><u>(\$59,171,937)</u></u>

(concluded)

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

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2011 and 2010**

### **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 is the policy-making body for the transit system known as Metro and 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. The Everybody Rides Metro foundation (“ERM”) does meet the criteria as a component unit of SORTA; however its total assets, liabilities, revenues and expenses are immaterial to SORTA’s financial statements taken as a whole (see Note 12).

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 (including ERM) 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

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

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).

**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. Non-exchange Transactions**

The Authority follows GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions." In general, GASB Statement No. 33 establishes accounting and financial reporting standards about when to report the results of non-exchange transactions involving financial or capital resources. In a non-exchange transaction, an entity gives (or receives) value without directly receiving or giving equal value in return. The Authority's principal non-exchange 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 and the acquisition of property, facilities and equipment. Substantially all of the Authority's non-exchange 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, 2011 and 2010 (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:

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

**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 as of the date of the financial statements and the amount of the loss can be reasonably estimated.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

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 2011 and 2010. 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 as of 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 include investment and other miscellaneous income and subsidies received from federal, state 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

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

provided from the City Income Tax-Transit Fund is equal to 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 over-advanced 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 valued at least 105% of the total value of public monies on deposit at the institution, or may deposit surety company bonds that when executed shall be for an amount in excess of collateral requirements. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

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

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

As of December 31, 2011 and 2010, the Authority maintained restricted cash and cash equivalents of \$9,876,323 and \$7,125,247, respectively, and unrestricted cash and investments of \$16,250,511 and \$17,701,102, respectively. The total cash and investments of \$26,126,834 and \$24,826,349, respectively, consisted of \$25,126,043 and \$22,826,023, respectively, in deposits and \$1,000,791 and \$2,000,326, respectively, in investments.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of an investment may decline based on changes in market interest rates. This risk can be reduced, but not eliminated, though the use of common portfolio strategies such as structure (maintaining laddered maturity dates) and diversification (by type of investment, by issuer or by maturity date). Generally, SORTA utilizes a strategy of laddering its investments while maintaining sufficient liquidity to cover anticipated operating expenses. Diversification is a secondary tool, as the Ohio revised Code limits the investment options for all Ohio public entities, including SORTA.

**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, 2011 and 2010, the carrying amount of the Authority's deposits was \$25,126,043 and \$22,826,023, respectively, and the bank balance was \$26,698,983 and \$23,310,203, 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, 2011 and 2010, the fair value of the Authority's investments were as follows:

	2011	2010
U.S. Agency bonds	\$1,000,690	\$2,000,224
Star Treasury Reserve of Ohio (STAROhio)	<u>101</u>	<u>102</u>
Total investments	<u>\$1,000,791</u>	<u>\$2,000,326</u>

Investments held by the Authority at December 31, 2011 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.

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

Investment Type	Fair Value	Not Rated	AAA	AAA and BBB	Below BBB
U.S. Agency bonds	\$1,000,690	-	\$1,000,690	-	-
Star Treasury Reserve of Ohio (STAROhio)	101	-	101	-	-
<b>Total Investments</b>	<b>\$1,000,791</b>	<b>-</b>	<b>\$1,000,791</b>	<b>-</b>	<b>-</b>

The following table presents the Authority's bond investments as of December 31, 2011, 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	\$1,000,690	-	\$1,000,690	-	-
<b>Total Investments</b>	<b>\$1,000,690</b>	<b>-</b>	<b>\$1,000,690</b>	<b>-</b>	<b>-</b>

Investments held by the Authority at December 31, 2010 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	AAA and BBB	Below BBB
U.S. Agency bonds	\$2,000,224	-	\$2,000,224	-	-
Star Treasury Reserve of Ohio (STAROhio)	102	-	102	-	-
<b>Total Investments</b>	<b>\$2,000,326</b>	<b>-</b>	<b>\$2,000,326</b>	<b>-</b>	<b>-</b>

The following table presents the Authority's bond investments as of December 31, 2010, 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	\$2,000,224	-	\$2,000,224	-	-
<b>Total Bonds</b>	<b>\$2,000,224</b>	<b>-</b>	<b>\$2,000,224</b>	<b>-</b>	<b>-</b>

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**
**5. Capital Assets**

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance January 1, 2011	Additions	Deletions	Transfers	Balance December 31, 2011
Capital assets not being depreciated:					
Land	\$13,158,110				\$13,158,110
Construction in progress	1,993,196	\$3,377,061		(\$1,993,196)	3,377,061
Total capital assets not being depreciated	<u>15,151,306</u>	<u>3,377,061</u>	<u>-</u>	<u>(1,993,196)</u>	<u>16,535,171</u>
Capital assets being depreciated:					
Buildings	1,461,241				1,461,241
Improvements	25,455,460	1,192,593		238,660	26,886,713
Revenue vehicles	118,955,954	7,083,979	\$10,187,756	13,069	115,865,246
Other equipment	24,194,145	10,385,546	154,027	1,741,467	36,167,131
Total capital assets being depreciated	<u>170,066,800</u>	<u>18,662,118</u>	<u>10,341,783</u>	<u>1,993,196</u>	<u>180,380,331</u>
Less accumulated depreciation:					
Buildings	414,815	36,824			451,639
Improvements	12,542,203	1,697,946			14,240,149
Revenue vehicles	64,143,662	6,840,208	10,190,387		60,793,483
Other equipment	19,562,688	2,032,864	123,300		21,472,252
Total accumulated depreciation	<u>96,663,368</u>	<u>10,607,842</u>	<u>10,313,687</u>	<u>-</u>	<u>96,957,523</u>
Total capital assets not being depreciated, net	<u>73,403,432</u>	<u>8,054,276</u>	<u>28,096</u>	<u>1,993,196</u>	<u>83,422,808</u>
Total capital assets, net	<u>\$88,554,738</u>	<u>\$11,431,337</u>	<u>\$28,096</u>	<u>-</u>	<u>\$99,957,979</u>

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Additions	Deletions	Transfers	Balance December 31, 2010
Capital assets not being depreciated:					
Land	\$13,160,110		\$2,000		\$13,158,110
Construction in progress	-	\$1,993,196			1,993,196
Total capital assets not being depreciated	<u>13,160,110</u>	<u>1,993,196</u>	<u>2,000</u>	<u>-</u>	<u>15,151,306</u>
Capital assets being depreciated:					
Buildings	1,506,516			(\$45,275)	1,461,241
Improvements	26,098,593	123,687	848,922	82,102	25,455,460
Revenue vehicles	130,910,213	6,870,306	18,863,948	39,383	118,955,954
Other equipment	<u>31,673,901</u>	<u>675,410</u>	<u>8,078,956</u>	<u>(76,210)</u>	<u>24,194,145</u>
Total capital assets being depreciated	<u>190,189,223</u>	<u>7,669,403</u>	<u>27,791,826</u>	<u>-</u>	<u>170,066,800</u>
Less accumulated depreciation:					
Buildings	381,231	33,584			414,815
Improvements	11,293,843	1,995,396	747,036		12,542,203
Revenue vehicles	75,065,598	7,908,475	18,830,411		64,143,662
Other equipment	<u>25,981,635</u>	<u>1,547,562</u>	<u>7,966,509</u>		<u>19,562,688</u>
Total accumulated depreciation	<u>112,722,307</u>	<u>11,485,017</u>	<u>27,543,956</u>	<u>-</u>	<u>96,663,368</u>
Total capital assets not being depreciated, net	<u>77,466,916</u>	<u>(3,815,614)</u>	<u>247,870</u>	<u>-</u>	<u>73,403,432</u>
Total capital assets, net	<u>\$90,627,026</u>	<u>(\$1,822,418)</u>	<u>\$249,870</u>	<u>-</u>	<u>\$88,554,738</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, 2011) had been owned by SORTA, the provision for depreciation for the years ended December 31, 2011 and 2010 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, 2011 and 2010 (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, 2011 and 2010 consist of the following:

	2011	2010
<b>Non-operating revenues:</b>		
<b>Federal:</b>		
FTA-Maintenance and other assistance	<u>\$13,829,678</u>	<u>\$14,554,245</u>
FTA-grant pass-through—Everybody Rides Metro Foundation	<u>\$270,515</u>	<u>\$351,040</u>
<b>State:</b>		
ODOT-Fuel tax reimbursement	\$807,005	\$805,216
ODOT-Elderly and disabled fare assistance	55,264	107,190
ODOT-Maintenance and other assistance	-	335,672
Total	<u>\$862,269</u>	<u>\$1,248,078</u>
<b>Local:</b>		
Cincinnati Board of Education contract	\$6,608,369	\$6,788,111
Other	<u>558,323</u>	<u>562,707</u>
Total	<u>\$7,166,692</u>	<u>\$7,350,818</u>
<b>Capital grant revenue:</b>		
Federal	\$19,433,208	\$8,358,669
Local	<u>2,589,761</u>	<u>1,282,329</u>
Total	<u>\$22,022,969</u>	<u>\$9,640,998</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 \$255,000 in 2011 and \$250,000 in 2010.

At December 31, 2011, 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, 2011 and 2010 (continued)**

<u>Year</u>	<u>Amount</u>
2012	\$183,684
2013	189,746
2014	144,460
2015	147,362
2016	152,169
2017-2021	793,600
2022-2026	63,625
Total	<u>\$1,674,646</u>

SORTA also leased 20 revenue vehicles under a master lease-purchase agreement with a local financial institution. Based on the terms of the agreement, it was classified as a capital lease. This capital lease was paid in full on June 7, 2010.

During the years ended December 31, 2011 and 2010, the Authority recognized \$0 and \$89,368, respectively, of interest expense under its capital leases. Changes in the Authority's long term capital lease obligations are summarized below:

	<b>2011</b>	<b>2010</b>
Balance, beginning of year	\$ -	\$ 5,000,000
Additions	-	-
Reductions	-	(5,000,000)
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

**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.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

- 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 member and employer contributions. In 2011 and 2010, members other than law enforcement personnel were required to contribute 10.0% of their covered payroll to OPERS. The 2011 and 2010 employer contribution rates for local government employer units were 14.0% of covered payroll including 4.0% from January 1, 2011 through December 31, 2011 and 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 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, 2011, 2010 and 2009 were \$4,247,000, \$3,764,000, and \$3,636,000, respectively, equal to 100% of the required contribution for each year.

**B. Private Pension Plans**

**Plan Description.** One retiree at December 31, 2011 continues 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 (see 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, 2011, 2010 and 2009 were determined using the unit credit actuarial cost method as follows:

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

	2011	2010	2009
Annual required contribution	\$ -	\$ -	\$ -
Interest on net pension obligation	-	-	-
Actuarial adjustment to net pension obligation	-	-	(4,300)
Annual pension cost	-	-	(4,300)
Contribution/benefit payments made	(2,456)	(5,805)	(9,831)
Decrease in net pension obligation	(2,456)	(5,805)	(14,131)
Net pension obligation beginning of year	22,596	28,401	42,532
Net pension obligation end of year	<u>\$ 20,140</u>	<u>\$ 22,596</u>	<u>\$ 28,401</u>

The net pension obligation was actuarially determined using a mortality assumption obtained from the IRS Optional Small Plan Mortality Table and is recognized as a non-current liability on the Authority's balance sheet. 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 postemployment benefit (as defined by GASB Statement No. 45) through its contributions to OPERS. In addition to the pension benefit described in Note 8A above, OPERS maintains a cost sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the TP and the CO Plans. Members of the MD Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the TP and CO Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. For the Authority, 4.0% from January 1 through December 31, 2011 of covered payroll were the portions of the 14.0% total contribution rate for 2011 that was used to fund health care, and 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010 of covered payroll were the portions of the 14.0% total contribution rate for 2010 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 Authority's contributions to OPERS for other post-employment benefits for the years ended December 31, 2011, 2010, and 2009 were \$1,699,000, \$2,145,000, and \$2,629,000 respectively, equal to 100% of the required contributions for each year.

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning January 1, 2006, with a final rate increase January 1, 2011. These rate increases allowed 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 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. As of December 31, 2011, 478 individuals were eligible to receive life insurance benefits.

On its balance sheets as of December 31, 2011 and 2010, SORTA has recorded an accrued liability for life insurance benefits of \$1,042,126 and \$1,147,830, respectively. These liabilities represent the present value of the estimated future 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:

	2011		2010
Medical inflation assumptions	**		**
Future annual increases in life insurance premiums	1.00%		2.00%
Remaining life expectancy*	Individually Determined		
Medical			
Life	17.6 yrs		17.7 yrs
Interest factor	0.60%		0.90%

\*Based on U.S. National Center for Health Statistics, Vital Statistics of the U.S. 2007 (most recent available).

\*\*No medical inflation.

The total expense recognized by the Authority for postemployment benefits not provided under OPERS was approximately (\$96,000) expense reduction and \$364,000 expense for the years ended December 31, 2011 and 2010, respectively.

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (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, \$400,000 through January 31, 2011, and \$500,000 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 0.6%.

The changes in the liabilities for self-insured risks for the years ended December 31, 2011, 2010 and 2009 are as follows:

	<b><u>Worker's Compensation</u></b>	<b><u>Public Liability and Property Damage</u></b>	<b><u>Total</u></b>
Balance, January 1, 2009	\$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	4,200,303	1,244,134	5,444,437
Claims, net of changes in estimates	1,081,542	1,964,397	3,045,939
Payments	<u>(1,114,291)</u>	<u>(540,237)</u>	<u>(1,654,528)</u>
Balance, December 31, 2010	4,167,554	2,668,294	6,835,848
Claims, net of changes in estimates	1,176,665	797,532	1,974,197
Payments	<u>(1,119,159)</u>	<u>(511,274)</u>	<u>(1,630,433)</u>
Balance, December 31, 2011	<u>\$4,225,060</u>	<u>\$2,954,552</u>	<u>\$7,179,612</u>

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2011 and 2010 (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, 2011, 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, 2011, 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. 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 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 2011 and 2010, 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, 2011 and 2010. 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, 2011 and 2010, gains of \$2,597,327 (86.9 cents per gallon) and \$133,646 (4.5 cents per gallon), respectively, were recognized as decreases in diesel fuel expense. On December 31, 2011 and 2010, the remaining open contracts had \$940,603 and

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (continued)**

\$2,164,957 of unrealized gains, 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, or (2) the closing value of the contract is below its nominal value.

**12. Everybody Rides Metro**

In 2006, the Authority formed "Everybody Rides Metro" ("ERM"), 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 disabled 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 ERM 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." However, since ERM's total assets and liabilities as of December 31, 2011 and December 31, 2010, and revenue and expenses for the years then ended are immaterial to the Authority's basic financial statements, ERM financial information is not included as a discretely presented component unit in the Authority's basic financial statements. A copy of ERM's audited financial statements may be obtained by contacting ERM at 602 Main St., Suite 1315, Cincinnati, Ohio, 45202, or by telephone at 513-632-7609. Condensed financial statement information for ERM is presented below.

<b>Condensed Balance Sheets</b>		<b>As of December 31,</b>	
<b>Everybody Rides Metro</b>		<b>2011</b>	<b>2010</b>
Current assets		\$524,114	\$599,334
Capital assets - net		16,564	-
<b>Total assets</b>		<u>\$540,678</u>	<u>\$599,334</u>
Current liabilities		\$114,185	\$218,391
<b>Total liabilities</b>		<u>114,185</u>	<u>218,391</u>
Net assets:			
Temporarily restricted		34,599	22,207
Unrestricted		391,894	358,736
<b>Total net assets</b>		<u>426,493</u>	<u>380,943</u>
<b>Total liabilities and net assets</b>		<u>\$540,678</u>	<u>\$599,334</u>

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2011 and 2010 (concluded)**

**Everybody Rides Metro  
Condensed Statements of Revenue, Expenses and Changes in Net Assets**

	<u>For the years ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Total revenues and public support	\$749,783	\$1,030,529
Total expenses	<u>704,233</u>	<u>719,132</u>
Change in net assets	45,550	311,397
Net assets, beginning of year	<u>380,943</u>	<u>69,546</u>
Net assets, end of year	<u><u>\$426,493</u></u>	<u><u>\$380,943</u></u>

**13. New Accounting Pronouncements**

During November, 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus—an amendment of GASB statements No. 14 and No. 34." This statement addresses, among other topics, reporting guidance for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting. Statement No. 61 will not be effective for SORTA until the year ended December 31, 2013, and as such, the Authority has not determined the impact that this statement will have on its financial statements.

In June, 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources, and will be effective of SORTA beginning with the year ending December 31, 2012. This Statement affects only the reporting terminology and presentation format for deferred inflows and outflows of resources, not the underlying accounting treatment of these items. While the Authority has not completed its evaluation of the impact of this Statement, it is not expected to have a material impact on the substance of SORTA's financial statements, although the physical appearance of certain statements may change.

*This information is an integral part of the accompanying financial statements.*

## 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, 2011**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>Operating revenues</b>	\$24,906,562	\$24,080,712	(\$825,850)
<b>Operating expenses other than depreciation and amortization:</b>			
Labor	40,147,697	39,632,145	515,552
Fringe benefits	19,595,828	18,725,326	870,502
Materials and supplies consumed	13,242,705	12,712,773	529,932
Services	3,343,838	3,371,039	(27,201)
Utilities	1,886,770	1,601,939	284,831
Casualty and liability	394,175	803,952	(409,777)
Taxes	845,248	851,344	(6,096)
Purchased transportation services	5,902,331	5,464,721	437,610
Leases and rentals	545,389	546,920	(1,531)
Miscellaneous	348,792	560,817	(212,025)
Sub-total	<u>86,252,773</u>	<u>84,270,976</u>	<u>1,981,797</u>
Grant pass-through Everybody Rides Metro Foundation	<u>270,515</u>	<u>270,515</u>	<u>-</u>
<b>Total</b>	<u>86,523,288</u>	<u>84,541,491</u>	<u>1,981,797</u>
<b>Depreciation and amortization</b>	<u>10,000,000</u>	<u>10,607,842</u>	<u>(607,842)</u>
<b>Total operating expenses</b>	<u>96,523,288</u>	<u>95,149,333</u>	<u>1,373,955</u>
<b>Operating loss</b>	<u>(71,616,726)</u>	<u>(71,068,621)</u>	<u>548,105</u>
<b>Non-operating revenues:</b>			
Local operating grants and special fare assistance	46,347,957	44,624,183	(1,723,774)
Federal maintenance grants and reimbursements	13,143,305	13,829,678	686,373
Federal grant pass-through Everybody Rides Metro Foundation	<u>270,515</u>	<u>270,515</u>	<u>-</u>
State maintenance grants, reimbursements and special fare assistance	1,250,329	862,269	(388,060)
Investment income-net	170,000	235,891	65,891
Decrease in fair value of investments	-	(46,390)	(46,390)
Non-transportation revenue	<u>434,620</u>	<u>673,232</u>	<u>238,612</u>
<b>Total</b>	<u>61,616,726</u>	<u>60,449,378</u>	<u>(1,167,348)</u>
<b>Net loss before capital grant activity</b>	<u>(10,000,000)</u>	<u>(10,619,243)</u>	<u>(619,243)</u>
<b>Capital grant revenue</b>	<u>26,048,129</u>	<u>22,022,969</u>	<u>(4,025,160)</u>
<b>Increase in net assets during the year</b>	<u>16,048,129</u>	<u>11,403,726</u>	<u>(4,644,403)</u>
<b>Net assets, beginning of year</b>	<u>88,797,424</u>	<u>88,797,424</u>	<u>-</u>
<b>Net assets, end of year</b>	<u>\$104,845,553</u>	<u>\$100,201,150</u>	<u>(\$4,644,403)</u>

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY



## Statistical Section

Comprehensive Annual Financial Report

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## 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>46-53</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>54</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>55</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>56-57</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>58-66</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.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Operating revenues</b>										
Passenger fares for transit service	\$13,846	\$14,758	\$14,852	\$18,088	\$18,665	\$18,590	\$22,964	\$21,976	\$23,211	\$22,778
Special transit fares	412	487	414	563	700	550	474	439	689	717
Auxiliary transportation revenue	615	392	412	459	464	547	538	603	409	585
Total operating revenues	14,873	15,637	15,678	19,110	19,829	19,687	23,976	23,018	24,309	24,081
<b>Non-operating revenues</b>										
Federal maintenance grants and reimbursements	15,464	14,018	12,995	11,421	11,215	13,179	11,971	18,197	14,554	13,830
Federal grant pass-through	713	3,208	624	0	350	0	826	2,989	351	271
State maintenance grants and reimbursements and special fare assistance	1,316	1,308	1,351	1,340	2,297	2,172	2,050	1,701	1,248	862
State grant pass-through	0	0	146	0	0	0	0	0	0	0
Local operating grants and fare assistance	5,591	5,632	5,466	5,596	5,862	6,744	7,383	7,639	7,351	7,167
Investment income, net	1,576	698	754	1,111	1,580	1,611	1,153	496	611	236
Increase (decrease) in fair value of investments	972	(259)	(166)	(398)	(79)	412	309	(444)	(507)	(46)
Non-transportation revenue	541	513	585	668	706	667	627	629	690	673
Total non-operating revenues	26,173	25,118	21,755	19,738	21,931	24,785	24,319	31,207	24,298	22,992
<b>Total Revenues</b>	<b>41,046</b>	<b>40,755</b>	<b>37,433</b>	<b>38,848</b>	<b>41,760</b>	<b>44,472</b>	<b>48,295</b>	<b>54,225</b>	<b>48,607</b>	<b>47,073</b>
<b>Operating expenses</b>										
Labor	35,487	36,272	35,759	35,409	37,245	38,491	40,717	41,368	38,284	39,632
Fringe benefits	15,766	15,971	16,266	17,256	18,352	19,328	19,938	20,096	19,395	18,725
Materials and supplies consumed	7,309	8,222	8,955	10,597	12,863	14,261	15,618	16,779	12,663	12,713
Services	3,244	2,704	2,660	2,754	3,053	3,039	3,766	3,738	3,726	3,371
Utilities	1,216	1,341	1,302	1,561	1,637	1,872	1,916	1,807	1,868	1,602
Casualty and liability	547	1,343	(335)	288	459	500	486	954	1,769	804
Taxes	864	896	936	995	1,059	1,053	1,027	961	853	851
Purchased transportation services	6,116	5,840	5,921	5,898	6,106	6,182	5,977	6,058	5,475	5,465
Leases and rentals	488	455	467	506	491	484	534	457	503	547
Miscellaneous	1,348	1,311	391	520	636	387	526	388	627	561
Grant pass-through	713	3,943	770	0	350	0	826	2,989	351	271
Depreciation and amortization	9,212	9,550	10,090	10,606	11,489	12,051	11,281	11,109	11,485	10,608
Total operating expenses	82,310	87,848	83,182	86,390	93,740	97,648	102,612	106,704	96,999	95,150
<b>Total Expenses</b>	<b>82,310</b>	<b>87,848</b>	<b>83,182</b>	<b>86,390</b>	<b>93,740</b>	<b>97,648</b>	<b>102,612</b>	<b>106,704</b>	<b>96,999</b>	<b>95,150</b>

(continued)

Southwest Ohio Regional Transit Authority

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating assistance from the City of Cincinnati Income Tax-Transit Fund grant pass-through	0	735	0	0	0	0	0	0	0	0
Operating assistance from the City of Cincinnati Income Tax-Transit Fund	32,052	36,808	35,660	36,936	40,491	41,304	43,036	41,369	36,679	37,457
Capital grant revenue	14,231	6,383	10,399	6,773	17,741	3,008	10,212	31,186	9,641	22,023
<b>Increase (decrease) in net assets</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>(\$2,072)</b>	<b>\$11,403</b>
Net Assets at year-end	\$60,827	\$59,061	\$59,431	\$55,640	\$70,559	\$61,561	\$60,528	\$85,627	\$88,555	\$99,958
Invested in capital assets, net of related debt	164	514	1,446	3,118	1,300	497	4,394	3,662	746	4,350
Restricted	20,353	18,602	17,610	15,895	9,047	9,805	5,871	1,581	(503)	(4,107)
Unrestricted	\$81,344	\$78,177	\$78,487	\$74,654	\$80,906	\$71,863	\$70,794	\$90,870	\$88,797	\$100,201
<b>Total net assets</b>										

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Operating Revenues</b>										
Passenger fares for transit service (1)	\$ 20,937	\$ 20,712	\$ 20,630	\$ 23,989	\$ 24,969	\$ 25,848	\$ 30,763	\$ 29,837	\$ 30,669	\$ 30,001
Special transit fares	412	487	414	562	700	550	474	439	689	717
Auxiliary transportation revenue	615	392	412	459	464	547	538	603	409	585
<b>Total operating revenues</b>	<b>21,964</b>	<b>21,591</b>	<b>21,456</b>	<b>25,010</b>	<b>26,133</b>	<b>26,945</b>	<b>31,775</b>	<b>30,879</b>	<b>31,767</b>	<b>31,303</b>
<b>Non-Operating Revenues</b>										
Federal grants and reimbursements (1)	14,298	14,018	12,995	11,421	11,215	13,179	11,971	18,197	14,554	13,830
Federal grant pass-through: Riverfront Transit Center	713	3,208	0	0	0	0	0	0	0	0
Federal grant pass-through: Union Township Park & Ride	0	0	624	0	0	0	0	0	0	0
Federal grant pass-through: Anderson Township Park & Ride	0	0	0	0	350	0	0	0	0	0
Federal grant pass-through: Cincinnati Zoo/Transit Hub	0	0	0	0	0	0	728	2,765	0	0
Federal grant pass-through: Everybody Rides Metro Foundation	0	0	0	0	0	0	98	224	351	271
State grants and reimbursements (1)	982	985	1,039	1,036	1,855	1,659	1,634	1,479	1,141	806
State grant pass-through: Union Township Park & Ride	0	0	146	0	0	0	0	0	0	0
Investment income	2,548	439	587	713	1,501	2,023	1,462	52	104	190
Non-transportation revenues	541	513	585	668	706	667	627	630	690	673
<b>Sub-total</b>	<b>19,082</b>	<b>19,163</b>	<b>15,976</b>	<b>13,838</b>	<b>15,627</b>	<b>17,528</b>	<b>16,520</b>	<b>23,347</b>	<b>16,840</b>	<b>15,770</b>
Local operating assistance	32,052	37,544	35,660	36,935	40,491	41,125	43,036	41,369	36,679	37,457
<b>Total non-operating revenues</b>	<b>51,134</b>	<b>56,707</b>	<b>51,636</b>	<b>50,773</b>	<b>56,118</b>	<b>58,653</b>	<b>59,556</b>	<b>64,716</b>	<b>53,519</b>	<b>53,227</b>
<b>Total Revenues</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>	<b>\$ 85,286</b>	<b>\$ 84,530</b>

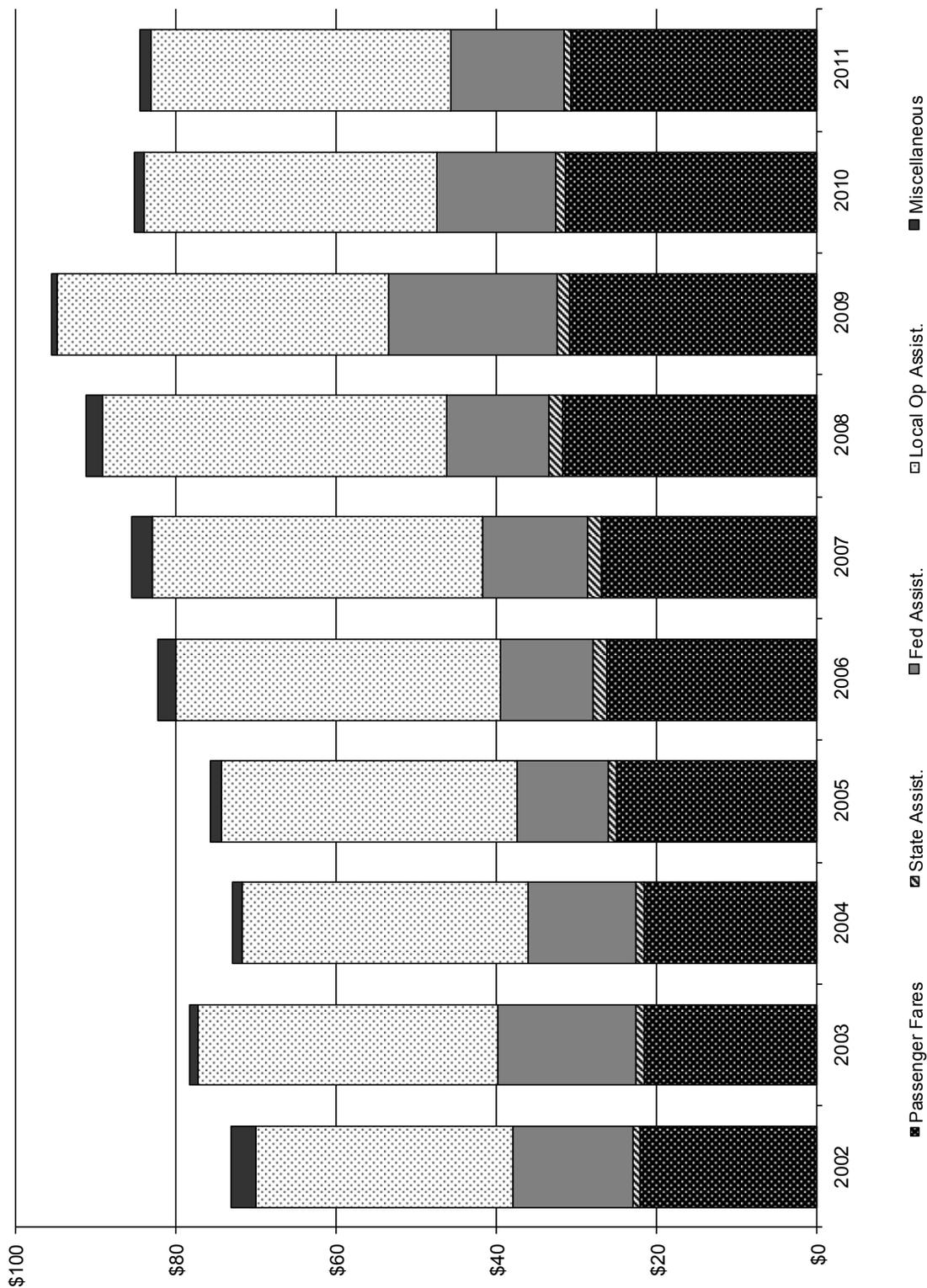
Amounts are presented in accordance with accounting principles generally accepted in the United States of America

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 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)



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	
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	31.5%	5.9%	37.4%	54.4%	8.2%	62.6%	100.0%
2010	32.1%	5.4%	37.5%	53.1%	9.4%	62.5%	100.0%
2011	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY:

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
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%
2010	36.7%	1.4%	38.1%	44.5%	17.4%	61.9%	100.0%
2011	36.3%	1.7%	38.0%	45.3%	16.7%	62.0%	100.0%

\*Information source not available

(1) Source: The American Public Transit Association, "APTA 2012 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

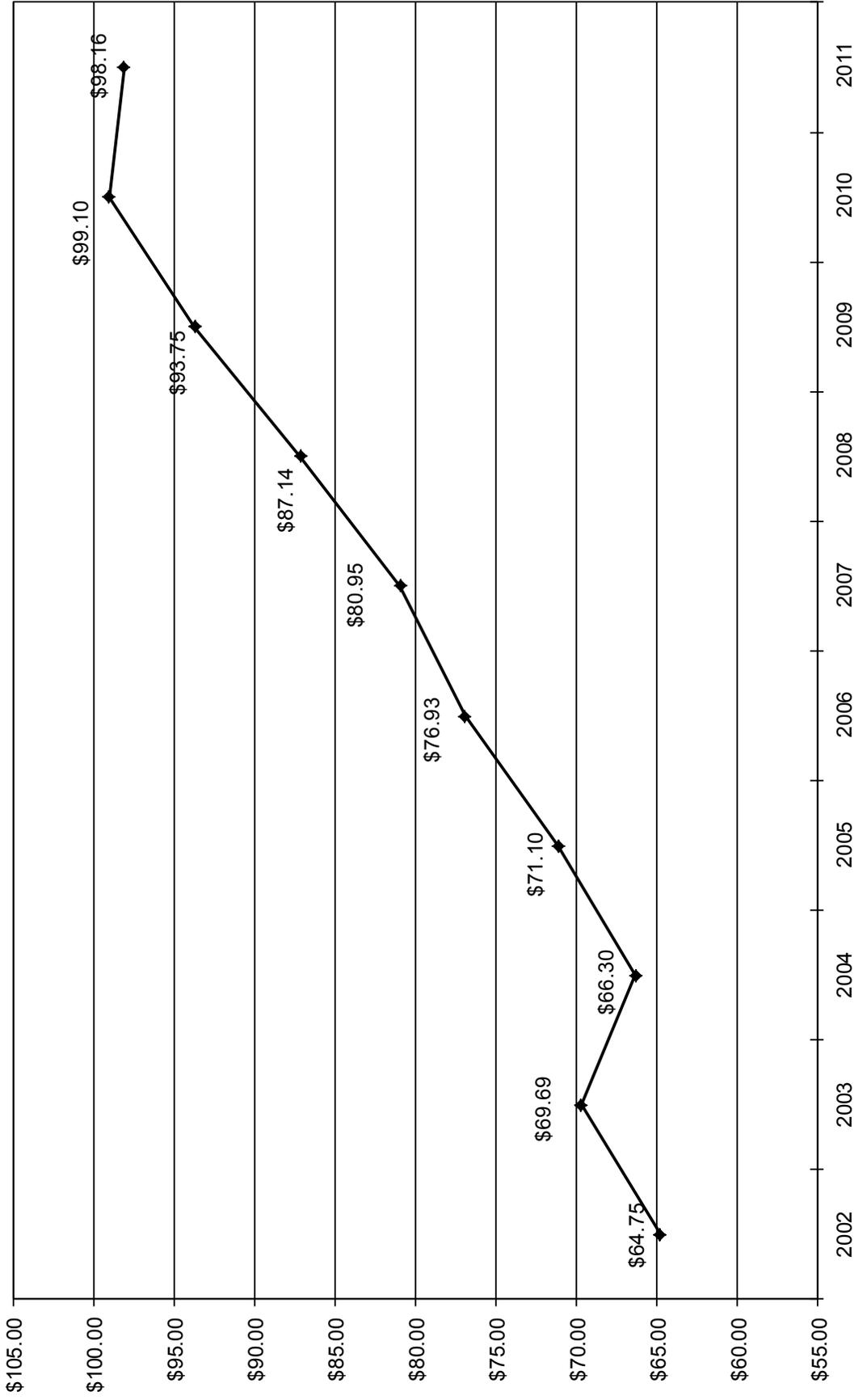
**Expenses by Object Class—Last Ten Years  
(dollars in thousands)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Operating Expenses Other Than Depreciation and Amortization:</b>										
Labor	\$ 35,487	\$ 36,272	\$ 35,759	\$ 35,409	\$ 37,245	\$ 38,491	\$ 40,717	\$ 41,368	\$ 38,284	\$ 39,632
Fringe Benefits	15,767	15,971	16,266	17,256	18,352	19,328	19,938	20,096	19,395	18,725
Materials and supplies consumed	7,309	8,222	8,955	10,597	12,863	14,262	15,618	16,779	12,663	12,713
Services	3,244	2,704	2,660	2,754	3,053	3,039	3,766	3,738	3,726	3,371
Utilities	1,216	1,341	1,302	1,561	1,638	1,872	1,916	1,807	1,868	1,602
Casualty and liability	547	1,343	(335)	288	459	500	486	954	1,769	804
Taxes	864	896	936	995	1,059	1,053	1,027	961	853	851
Purchased transportation services	6,116	5,840	5,921	5,899	6,106	6,182	5,977	6,058	5,475	5,465
Leases and rentals	488	455	467	506	491	484	534	457	503	547
Miscellaneous	1,347	1,311	391	519	635	387	526	388	627	561
<b>Total</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>	<b>85,163</b>	<b>84,271</b>
Grant pass-through: Riverfront Transit Center	713	3,943	0	0	0	0	0	0	0	0
Grant pass-through: Union Township Park & Ride	0	0	770	0	0	0	0	0	0	0
Grant pass-through: Anderson Township Park & Ride	0	0	0	0	350	0	0	0	0	0
Federal grant pass-through: Cincinnati Zoo/Transit Hub	0	0	0	0	0	0	728	2,765	0	0
Federal grant pass-through: Everybody Rides Metro Foundation	0	0	0	0	0	0	98	224	351	271
<b>Depreciation and Amortization</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>11,485</b>	<b>10,608</b>
<b>Total Expenses</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>	<b>\$ 96,999</b>	<b>\$ 95,150</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

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



## Southwest Ohio Regional Transit Authority

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

## TRANSPORTATION INDUSTRY (1):

<u>YEAR</u>	<u>LABOR AND FRINGES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>SERVICES</u>	<u>UTILITIES</u>	<u>CASUALTY AND LIABILITY</u>	<u>PURCHASED TRANSPOR- TATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES (2)</u>
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	64.8%	11.3%	6.6%	3.5%	2.3%	14.0%	-2.5%	100.0%
2010	65.2%	10.7%	6.6%	3.4%	2.6%	13.8%	-2.3%	100.0%
2011	*	*	*	*	*	*	*	*

## SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY (3):

<u>YEAR</u>	<u>LABOR AND FRINGES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>SERVICES</u>	<u>UTILITIES</u>	<u>CASUALTY AND LIABILITY</u>	<u>PURCHASED TRANSPOR- TATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES (2)</u>
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%
2010	67.4%	14.8%	4.8%	2.2%	2.1%	6.4%	2.3%	100.0%
2011	69.0%	15.0%	4.3%	1.9%	1.0%	6.5%	2.3%	100.0%

\* Information source not available

(1) Source: The American Public Transit Association, "APTA 2012 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)**

<u>YEAR</u>	<u>BEGINNING BALANCE</u>	<u>.3% INCOME TAX COLLECT</u>	<u>OTHER RECEIPTS</u>	<u>DISTRIBUTIONS TO SORTA (3)</u>	<u>OTHER DISTRIBUTIONS</u>	<u>ENDING BALANCE (1) (2)</u>
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
2010	11,340	43,187	207	40,392	672	13,670
2011	13,670	45,350	191	41,745	2,420	15,046
		<u>\$415,839</u>	<u>\$3,024</u>	<u>\$404,697</u>	<u>\$9,044</u>	

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

(1) Balance includes a \$3,000,000 self-insurance reserve.

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

(3) Includes operating and capital assistance.

Southwest Ohio Regional Transit Authority

**Outstanding Debt - Last Ten Years  
(in thousands, except per capita amounts)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Outstanding debt by type:										
Capital lease obligation	\$20,013	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000	\$10,000	\$5,000	\$0	\$0
Total outstanding debt	\$20,013	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000	\$10,000	\$5,000	\$0	\$0
Population - Hamilton County, Ohio (1)	840	837	832	828	823	842	851	855	802	*
Outstanding debt per capita	\$23.83	\$22.27	\$22.40	\$22.51	\$12.15	\$11.88	\$11.75	\$5.85	\$0.00	\$0.00

Notes: SORTA has leased revenue vehicles under a master lease-purchase agreements with local financial institutions. Based on the terms of these agreements, they have been classified as capital leases. Investments with 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
2010	37.1	*

<u>YEAR</u>	<u>K-12 SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE (3)</u>	<u>POPULATION (4)</u>
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%	855,062
2010	148,212	9.4%	802,374
2011	*	8.6%	*

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

*\* Information is not available*

Source:

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

(2) MDR's School Directory – Ohio.

(3) OhioMI.com.

(4) Hamilton County Data Center.

## Southwest Ohio Regional Transit Authority

**Principal Employers in Primary Service Area  
Calendar Years 2011 and 2002****2011**

<b>Employer</b>	<b>Nature of Business</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
Kroger Co.	National grocery retailer	20,646	5.6%
University of Cincinnati	Public university	15,329	4.1%
Cincinnati Children's Hospital Medical Center	Pediatric Medical Center	12,564	3.4%
Procter & Gamble Co.	Consumer products company	12,000	3.2%
Trihealth, Inc.	Health care system	10,400	2.8%
Catholic Health Partners/Mercy Health Partners	Health care system	8,940	2.4%
UC Health	Health care system	8,670	2.3%
GE Aviation	Jet engines/components	7,500	2.0%
St. Elizabeth Healthcare	Health care system	7,251	1.9%
Fifth Third Corp	Banking and financial services	<u>7,180</u>	<u>1.9%</u>
Total		<u>110,480</u>	<u>29.7%</u>
Total County Employment:		<u>372,000</u>	

**2002**

<b>Employer</b>	<b>Nature of Business</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
University of Cincinnati	Public university	15,400	3.8%
Health Alliance of Greater Cincinnati	Health care system	13,139	3.2%
Kroger Co.	National grocery retailer	13,000	3.2%
Procter & Gamble Co.	Consumer products company	13,000	3.2%
Toyota Motor Manufacturing North America Inc.	Automotive manufacturer	8,360	2.1%
Fifth Third Bank	Banking and Financial Services	7,800	1.9%
Cincinnati Public Schools	Public school system	7,335	1.8%
City of Cincinnati	Municipal government	7,223	1.8%
TriHealth	Health care system	7,055	1.7%
Cincinnati Children's Hospital Medical Center	Pediatric medical center	<u>7,029</u>	<u>1.7%</u>
Total		<u>99,341</u>	<u>24.4%</u>
Total County Employment		<u>406,900</u>	

Source: 2011 Business Courier Book of Lists

Business Courier Book of Lists - Winter 2004

**Operating Statistics – Last Ten Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>System Ridership (1)</b>										
Motor bus	24,108,188	23,872,078	23,052,379	25,900,339	25,294,117	25,897,973	25,833,969	22,886,445	18,821,828	18,784,755
Demand responsive	267,664	271,448	267,271	258,013	261,449	249,528	238,352	234,507	185,804	185,171
<b>Average Weekday System Ridership (1)</b>										
Motor bus	83,531	82,656	80,261	87,320	85,990	87,605	87,066	77,389	64,711	63,704
Demand responsive	918	938	915	899	913	866	824	805	648	635
<b>Vehicle Miles Operated (1)</b>										
Motor bus	13,484,565	13,560,173	13,326,524	12,931,616	12,844,463	12,516,090	12,638,029	12,355,966	10,947,052	11,097,466
Demand responsive	2,946,010	2,743,402	2,678,869	2,470,081	2,413,080	2,328,126	2,216,026	2,064,155	1,629,544	1,531,524
<b>Average Weekday Vehicle Miles Operated (1)</b>										
Motor bus	46,096	46,354	45,099	43,502	43,313	42,136	42,413	41,714	37,101	37,529
Demand responsive	10,108	9,476	9,169	8,603	8,428	8,082	7,656	7,087	5,687	5,256
<b>Revenue Miles (1)</b>										
Motor bus	11,483,950	11,511,422	11,291,291	11,018,173	11,016,477	10,771,594	10,774,532	10,445,144	8,923,481	9,149,980
Demand responsive	2,552,926	2,404,108	2,324,105	2,135,177	2,058,816	1,973,788	1,922,900	1,809,465	1,422,463	1,335,557
<b>Passenger Miles (1)</b>										
Motor bus	134,240,845	129,392,725	133,255,711	139,002,211	128,950,847	124,944,312	127,342,586	103,965,183	86,058,502	94,762,842
Demand responsive	2,438,244	2,820,444	2,471,802	2,483,351	2,736,332	2,567,530	2,558,818	2,521,893	1,931,873	2,201,614

(continued)

Southwest Ohio Regional Transit Authority

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Vehicle Hours Operated (1)</b>										
Motor bus	952,513	957,369	938,438	907,290	911,536	909,219	913,117	892,296	760,187	766,750
Demand responsive	176,488	166,202	164,052	158,632	157,647	148,114	134,974	127,345	102,726	94,524
<b>Vehicle Revenue Hours (1)</b>										
Motor bus	871,122	875,770	858,610	830,384	831,841	815,878	821,178	802,130	687,273	702,613
Demand responsive	145,949	130,477	124,912	117,240	118,654	114,006	108,546	105,574	83,638	77,725
<b>Diesel Fuel Consumption (in Gallons) (1)</b>	3,485,856	3,459,098	3,385,152	3,334,875	3,453,455	3,427,677	3,597,598	3,361,994	2,965,930	2,977,079
<b>Fleet Requirements (During Peak Hours) (1)</b>										
Motor bus	358	359	344	325	325	325	324	324	280	280
Demand responsive	53	48	43	43	48	48	48	48	48	48
<b>Total Revenue Vehicles During Period (1)</b>										
Motor bus	432	432	430	390	390	390	388	388	333	340
Demand responsive	53	53	53	53	53	53	51	52	53	48
<b>Number of Full Time Employees (2)</b>	824	787	793	786	785	801	814	744	722	704

Sources:  
 (1) SORTA's annual "National Transit Database", files 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, 2011**

**ACCESS**

1801 Transpark Drive, Cincinnati, Ohio 45229-1239

<b>Building Total Square Footage</b>	<b>76,518</b>
Which includes:	
Office space	9,685
Operations	21,480
Maintenance	11,793
Storage	33,560
 <b>Real Estate Acreage</b>	 <b>5.65</b>
Sq. Ft. parking lot	41,430

**SILVERTON**

7000 Montgomery Road, Cincinnati, Ohio 45236-3835

<b>Building Total Square Footage</b>	<b>3,327</b>
Which includes:	
Office space	1,260
Operations	1,927
Maintenance	0
Storage	50
 <b>Real Estate Acreage</b>	 <b>2.25</b>
Sq. Ft. parking lot	28,800
 <b>Park and Ride Spaces</b>	 <b>120</b>

**FOREST PARK, PARK AND RIDE**

1160 Kemper Meadow Drive, Cincinnati, Ohio 45240

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

(continued)

Southwest Ohio Regional Transit Authority

**Capital Asset Information as of December 31, 2011 (continued)****PARATRANSIT VEHICLES**

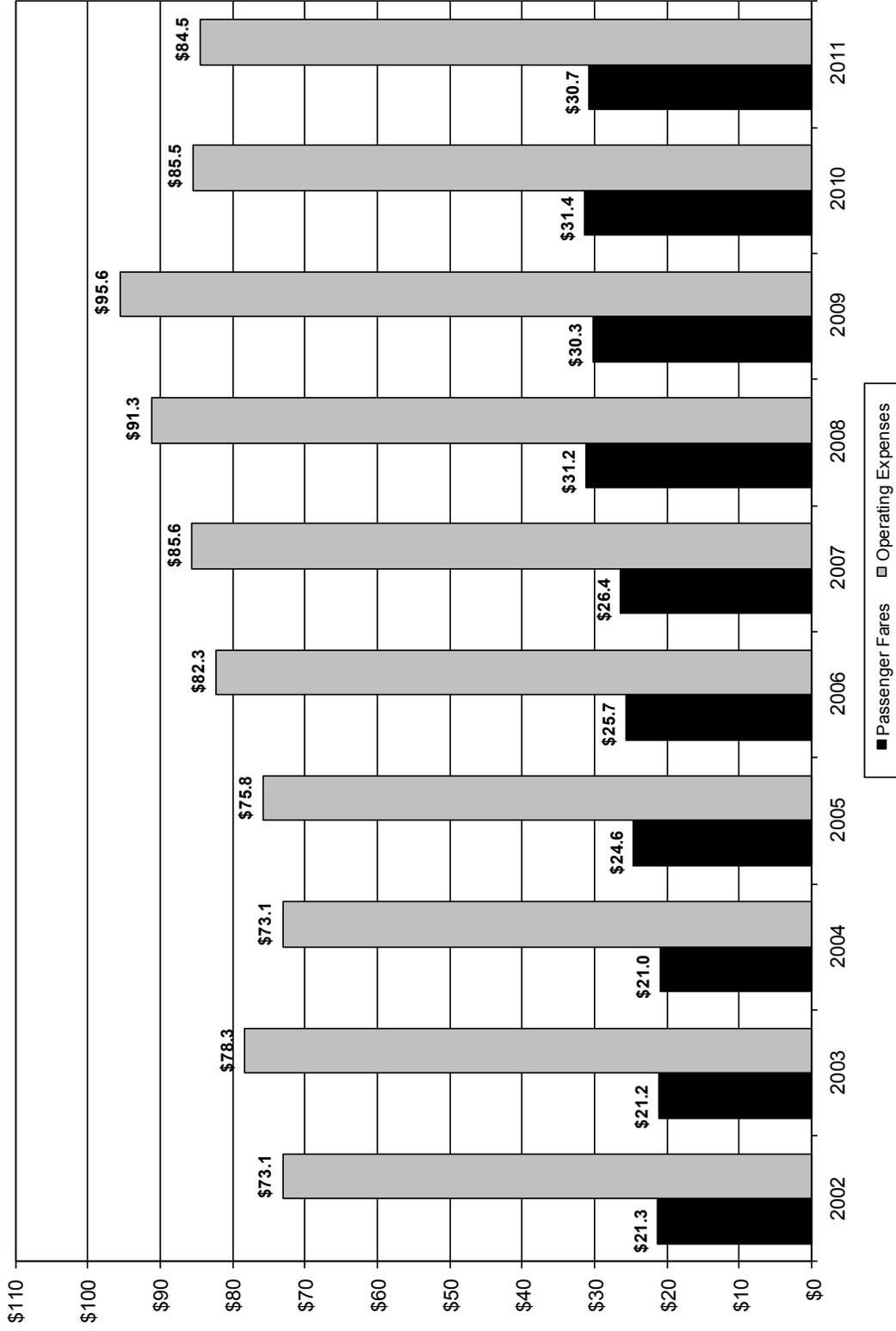
<b>Quantity</b>	<b>Year</b>	<b>Manufacturer</b>
2	2002	Eldorado
1	2005	Eldorado
4	2006	Ford
15	2007	Eldorado
9	2008	Eldorado
14	2010	Ford
3	2011	Chevrolet
<b>48</b>	<b>Total Paratransit Vehicles</b>	

**BUSES**

<b>Quantity</b>	<b>Year</b>	<b>Manufacturer</b>
15	1997	Gillig
36	1998	Gillig
19	1999	Gillig
6	2000	Gillig
51	2001	Gillig
38	2002	Gillig
23	2004	Gillig
40	2006	Gillig
1	2008	Gillig
30	2008	New Flyer
67	2009	New Flyer
7	2010	New Flyer
1	2011	Gillig
10	2011	New Flyer
<b>344</b>	<b>Total Buses</b>	

Southwest Ohio Regional Transit Authority

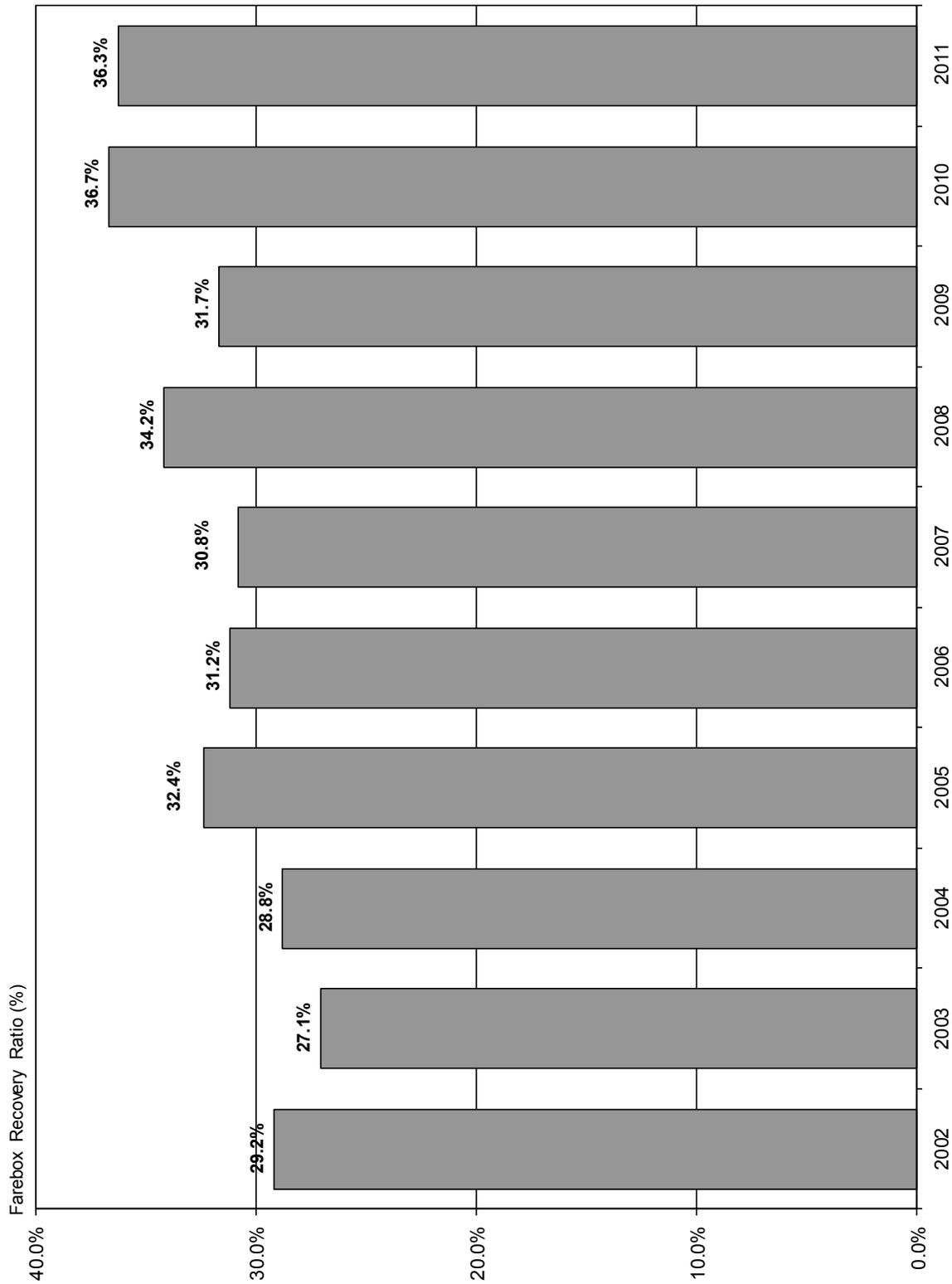
Passenger Fares vs. Operating Expenses – Last Ten Years



Source: Derived from SORTA's independently audited annual 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



**Revenue Rates – Last Ten Years**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Cash or Token Fares</b>										
Zone 1 fare (3)				\$1.00	\$1.00	\$1.00	\$1.50	\$1.50	\$1.75	\$1.75
Zone 2 fare (3)				\$1.50	\$1.50	\$1.50	\$2.00	\$2.25	\$2.65	\$2.65
Zone 3 fare (3)				\$2.00	\$2.00	\$2.00	\$2.50	\$3.00	\$3.00	\$3.00
Weekday peak hours (6 to 9am and 3 to 6pm)	\$0.80	\$0.80	\$0.80	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Weekday non-peak hours	\$0.65	\$0.65	\$0.65							
Weekday zone fare (zone 2)(3)	\$0.30	\$0.30	\$0.30							
Weekday zone fare (zone 3)(3)	\$0.60	\$0.60	\$0.60							
Parking Meeter shuttle (Monday-Friday)	\$0.25	\$0.25	\$0.25	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Downtown midday shuttle (Monday-Friday)	\$0.25	\$0.25	\$0.25							
Weekend flat rate (no zone fares apply)	\$0.50	\$0.50	\$0.50							
Weekday transfers	\$0.10	\$0.10	\$0.15							
Transfers			\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.50	\$0.50
Access Zone 1 (1)			\$1.00	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$3.50	\$3.50
Access Zone 2 (1)			\$0.75	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$4.50	\$4.50
Access weekday (1)	\$1.00	\$1.00	\$1.00							
Access weekend (1)	\$0.75	\$0.75	\$0.75							
Express Service (Monday-Friday)(Butler County)				\$2.25	\$2.25	\$2.75	\$3.00	\$3.50	\$3.50	\$3.50
Express Service (Monday-Friday)(Warren County)						\$3.25	\$3.75	\$4.25	\$4.25	\$4.25
Express Service (Monday-Friday)(Eastgate, Harrison)				\$2.00	\$2.00	\$2.50	\$2.50	\$3.00	\$3.00	\$3.00
Eastgate Express Service (Monday-Friday)			\$1.75	\$1.75						
Express Service (Monday-Friday)	\$1.75	\$2.00	\$2.00							
Harrison Express Service (Monday-Friday)	\$2.00									\$3.00
Express Service (Monday-Friday)(Harrison)										\$3.75
Express Service (Monday-Friday)(Clermont County)										
<b>Monthly Passes</b>										
MetroCard Zone 1 Pass (zone one) (3)			\$32.00	\$40.00	\$40.00	\$40.00	\$55.00	\$55.00	\$70.00	\$70.00
MetroCard A Pass (zone one, weekdays only) (3)	\$32.00	\$32.00								
MetroCard Zone 2 Pass (two zones) (3)			\$52.00	\$60.00	\$60.00	\$60.00	\$75.00	\$90.00	\$106.00	\$106.00
MetroCard B Pass (two zones, weekdays only) (3)	\$44.00	\$44.00								
MetroCard Zone 3 Pass (three zones) (3)			\$72.00	\$80.00	\$80.00	\$95.00	\$95.00	\$120.00	\$120.00	\$120.00
MetroCard B Pass (three zones, weekdays only) (3)	\$70.00	\$70.00								
MetroCard Harrison Zone Pass										\$120.00
MetroCard Clermont Zone Pass (Clermont County)										\$150.00
MetroCard Zone 4 Pass (Butler County)						\$105.00	\$115.00	\$140.00	\$140.00	\$140.00
MetroCard All Pass (express routes and three zones)				\$90.00	\$90.00	\$125.00	\$145.00	\$170.00	\$170.00	\$170.00

(continued)

Southwest Ohio Regional Transit Authority

**Revenue Rates - Last Ten Years (continued)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Metro/Tank Pass (zone one) (3)			\$60.00	\$70.00	\$70.00	\$70.00	\$85.00	\$90.00	\$105.00	\$105.00
Metro/Tank Pass (zone one, weekdays only) (3)	\$50.00	\$60.00								
Fare Deal (2) (three zones) (3)	\$19.00	\$19.00	\$19.00	\$24.50	\$24.50	\$24.50	\$32.50	\$32.50	\$38.50	\$38.50
Weekend Pass	\$8.00	\$8.00								
<b>Discount Fares (Fare Deal (2) and Children under 45")</b>										
Zone 1 fare				\$0.50	\$0.50	\$0.50	\$0.75	\$0.75	\$0.85	\$0.85
Zone 2 fare				\$0.75	\$0.75	\$0.75	\$1.00	\$1.10	\$1.30	\$1.30
Zone 3 fare				\$1.00	\$1.00	\$1.00	\$1.25	\$1.50	\$1.50	\$1.50
Fare Deal (2) flat rate (no zone fares apply)	\$0.40	\$0.40	\$0.40							
Children under 45" flat rate (no zone fares apply)	\$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.

6 Southwest Ohio Regional Transit Authority

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Vehicle Operations	614.0	607.0	591.0	595.0	595.0	579.0	585.0	513.0	467.5	463.5
Vehicle Maintenance	199.0	187.0	186.0	182.0	187.0	195.0	202.0	187.0	187.0	182.0
Non-Vehicle Maintenance	28.0	30.0	29.0	24.0	29.0	34.0	30.0	34.0	27.0	24.0
General Administration	100.5	88.0	87.5	85.0	86.5	90.0	93.5	89.0	80.0	85.5
Paratransit Service	8.5	9.5	9.0	9.0	10.5	15.0	9.5	7.5	7.5	5.5
<b>Total Employees</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>	<b>769.0</b>	<b>760.5</b>

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

# SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY

## **Southwest Ohio Regional Transit Authority**

Office of the Board of Trustees and Metro Administrative Offices  
602 Main Street, Suite 1100  
Cincinnati, OH 45202-2549  
513.621.9450

## **Metro Sales Office and Customer Relations**

Mercantile Center Suite #1  
120 East Fourth Street  
Cincinnati, OH 45202-4007  
513.621.4455 (TDD 1.800.750.0750)

## **Access**

1801 Transpark Drive  
Cincinnati, OH 45229-1239

## **Bond Hill Operating Garage**

4700 Paddock Road  
Cincinnati, OH 45229-1782

## **Queensgate Operating Garage and Maintenance Facility**

1401 Bank Street  
Cincinnati, OH 45214-1782

## **Silverton Eligibility and Training Center**

7000 Montgomery Road  
Cincinnati, OH 45236-3823



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# Dave Yost • Auditor of State

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 31, 2012**