

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

**REPORTS ISSUED PURSUANT TO
THE OMB CIRCULAR A-133
December 31, 2012**



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Southwest Ohio Regional Transit Authority, Hamilton County, prepared by CliftonLarsonAllen LLP, for the audit period January 1, 2012 through December 31, 2012. 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

October 16, 2013

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

Board of Trustees
Southwest Ohio Regional Transit Authority
Cincinnati, Ohio

We have audited, in accordance with the 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, the financial statements of Southwest Ohio Regional Transit Authority (the Authority), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Toledo, Ohio
June 17, 2013



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Southwest Ohio Regional Transit Authority
Toledo, Ohio

Report on Compliance for Each Major Federal Program

We have audited the Authority's compliance with the types of compliance requirements described in the *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, 2012. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance 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, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are 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 2012-1. Our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over 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 Authority's internal control over compliance.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompany schedule of findings and questioned costs as Item 2012-1, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Trustees
Southwest Ohio Regional Transit Authority

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Authority as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated June 17, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

Toledo, Ohio
October 7, 2013, except for the Schedule
of Expenditures of Federal Awards, as
to which the date is June 17, 213

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012**

<u>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Amount Passed Through to Subrecipients</u>	<u>Total 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-X265	\$ -	\$ 73,295
Formula Grants	20.507	OH-90-X319	-	107,716
Formula Grants	20.507	OH-90-X343	-	71,854
Formula Grants	20.507	OH-90-X521	-	65,770
Formula Grants	20.507	OH-90-X584	-	6,614
Formula Grants	20.507	OH-90-X628	-	15,080
Formula Grants	20.507	OH-90-X669	-	381,595
Formula Grants	20.507	OH-90-X678	-	37,201
Formula Grants	20.507	OH-90-X726	-	345,530
Formula Grants	20.507	OH-90-X765	-	8,456,890
Formula Grants	20.507	OH-90-X783	-	3,603,756
Formula Grants	20.507	OH-95-X015	-	45,449
Formula Grants	20.507	OH-95-X044	-	4,613,781
Formula Grants	20.507	OH-95-X056	-	4,785,149
Formula Grants	20.507	OH-95-X102	-	1,196,245
Formula Grants	20.507	OH-95-X135	-	870,000
Formula Grants "ARRA"	20.507	OH-96-X004	-	468,688
Subtotal CFDA 20.507			-	25,144,613
Federal Transit Administration –				
Capital Improvements Grant	20.500	OH-03-0276	-	90,318
Capital Improvements Grant	20.500	OH-03-0295	-	2,474
Capital Improvements Grant	20.500	OH-03-0303	-	208,360
Capital Improvements Grant	20.500	OH-04-0077	-	2,386,315
Capital Improvements Grant	20.500	OH-04-0082	-	208,789
Subtotal CFDA 20.500			-	2,896,256
Federal Transit Administration –				
Clean Fuels	20.519	OH-58-0005	-	5,263
Federal Transit Administration –				
Transit Investments for Greenhouse Gas and Energy Reduction	20.523	OH-88-0001	-	55,300
Total Federal Transit Cluster			\$ -	\$ 28,101,432

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2012**

<u>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Amount Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</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-37-4075	\$ 212,798	\$ 241,842
Reverse Commute	20.516	OH-37-4097	<u>30,953</u>	<u>79,346</u>
Total Transit Services Program Cluster			<u>243,751</u>	<u>321,188</u>
U.S. Department of Transportation: Federal Highway Administration (FHWA): Highway Planning and Construction Cluster: Passed-through the Ohio Department of Transportation: Diesel Emissions Reduction Grant				
	20.205	16012	<u>-</u>	<u>1,331,775</u>
Total Highway Planning and Construction Cluster			<u>-</u>	<u>1,331,775</u>
U.S. Department of Homeland Security: Passed-through the Ohio Department of Public Safety:				
Emergency Management Agency	97.075	2008-RL- T8-0010	-	5,029
Emergency Management Agency	97.075	2009-RA- T9-0039	-	418,801
Emergency Management Agency	97.075	2010-RA- T0-0031	-	12,000
Emergency Management Agency	97.075	EMW-2011-RA- 00049-501	<u>-</u>	<u>104,807</u>
Subtotal CFDA 97.075			<u>-</u>	<u>540,637</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 243,751</u>	<u>\$ 30,295,032</u>

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, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") reflects the expenditures of the Authority under programs financed by the U.S. government for the year ended December 31, 2012. 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, 2012**

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
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)?	___X___ yes	_____ none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
---	-------------------

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	___X___ yes	_____ no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.500, 20.507, 20.519 and 20.523</u>	<u>Federal Transit Cluster</u>
<u>20.205</u>	<u>Highway Planning and Construction Cluster</u>

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>908,851</u>
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Auditee qualified as low-risk auditee?	_____ yes	___X___ no
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Section II – Financial Statement Findings

None.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended December 31, 2012**

Section III – Federal Award Findings and Questioned Costs

Reference 2012-1 – Schedule of Expenditures of Federal Awards (SEFA) Preparation

Grant from the U.S. Department of Transportation
Highway Planning and Construction Cluster
CFDA 20.205

Criteria

Upon preparation of the SEFA, the CFDA numbers and cluster groupings reported should accurately reflect the assignments from the grant award documents and applicable Federal requirements.

Condition

The SEFA provided incorrectly reported the expenditures under CFDA 20.205 under another CFDA number.

Questioned Costs

None.

Effect

Proper procedures were not followed to ensure proper presentation of the SEFA in compliance with grant agreements and Federal requirements.

Authority's Response and Planned Corrective Action

This exception was a single occurrence of clerical oversight related to a new grant program, in which SORTA has never previously participated. All activity in this grant occurred in 2012, and the grant has been closed. All financial transactions in this grant were properly accounted for, but the wrong CFDA number was used in the SEFA. In order to mitigate the risk of similar exceptions going forward, new procedures have been implemented. For all new grant programs initiated during the year, the individual preparing the draft SEFA for internal review will now attach a copy of the first page of the grant contract, which clearly identifies the CFDA number for that grant. This additional step will make it easy for the reviewer to verify the accuracy of the CFDA number for new grants. CFDA numbers for other grants will continue to be verified by comparing to the prior year's SEFA.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SUMMARY OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2012**

Reference 2011-1– Procurement

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.

Status

We did not identify instances of such noncompliance during our current year procurement testing associated with Federal funds expended.

Southwest Ohio Regional Transit Authority
Hamilton County, Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2012

Suzanne Burke
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, 2012

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SORTA

Southwest Ohio Regional
Transit Authority

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

Trustees

Suzanne Burke
Chair

Karl B. Schultz
Vice Chair

Frank H. Bowen
Todd L. Cooper
Jason Dunn
Gregg L. Hothem
Ken Reed
Gwen L. Robinson
Brandi M. Stewart
Lamont Taylor
Bradley W. Thomas

*Recipient of the
Ohio Auditor of State's
"Award with Distinction"*

SORTA's Mission

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



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

June 17, 2013

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, 2012. 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, 2012. CliftonLarsonAllen's Independent Auditor'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, 2012, 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, 2011, representing the 21st 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, 2012 and 2011, and the supplemental schedule of revenues, expenses, and changes in net position—budget and actual for the year ended December 31, 2012.

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 51 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 2012, Metro operated a total of about 770,000 hours of service over 11.2 million miles, providing approximately 17.4 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 39 lift-equipped vehicles and 4 ambulatory vehicles. SORTA's Director of Accessible Services provides oversight for this service. In 2012, Access provided about 163,000 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 10 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 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 15-20 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.

Building on the "Back to Basics" campaign from 2011, 2012 was a year of moving forward for SORTA. Service delivery improvements during the year included the installation of real-time information signs on arrivals and departures at Government Square and the introduction of new fare payment options, with 30-day rolling passes and 10-Ride tickets. In July, Cincinnati hosted the World Choir Games (the first time this event has been held in the U.S.), and Metro was critical partner, providing more than 58,000 rides to 15,000 participants and their families from more than 60 countries. Metro's exemplary service during this 11-day event won accolades from event organizers, local leaders and media.

As the local economy continued its gradual recovery from the Great Recession, Transit Fund tax revenues have recovered as well, with collections now exceeding pre-recession levels. Thanks to higher than expected tax revenues in 2011, SORTA's 2012 allocation from the Transit Fund increased by more than \$3.3 million (a 7.9% increase). Ridership totals reported by our fareboxes in 2012 also improved by more than 4% over 2011 – a rate almost double the national average.

Despite significant increases in fuel and healthcare costs, SORTA managed its expenses carefully and finished the year within budget. This result allowed us to defer part of our Federal 5307 subsidy revenue to help balance the 2013 Budget. 2013 will mark the fourth consecutive year with no increases in fares or decreases in service levels. While this is a noteworthy accomplishment, the balanced budget in 2013 relies heavily on a higher than expected increase in Transit Fund revenues and the one-time deferral of Federal revenues. Going forward, it will become increasingly more challenging to balance the budget without additional sources of funding or changes to fares and/or 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

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.

In November 2012, the Cincinnati USA Regional Economic Advisory Committee published its *2013 Regional Economic Outlook*. This report confirmed that although 2012 was another year of continued slow recovery from the Great Recession, a full recovery remains a work in progress. The good news is that regional indicators are outpacing improvements nationally in unemployment, housing, manufacturing and GDP.

Through August 2012, Cincinnati’s labor market had recovered 97.4% of its pre-recession jobs, compared to 96.9% nationally. Most of this growth has been in the private sector, primarily in manufacturing and professional and business services. Manufacturing jobs in particular have recovered to nearly 95% of pre-recession levels, compared to only 87% nationally. They are expected to increase another 3.8% locally in 2013. Government sector jobs locally have recovered only 93.2% of precession levels, compared to 99.0% nationally, as state and local governments continue to struggle with budget constraints and the unwillingness of most voters to embrace either higher taxes or reduced government spending on services. The table below presents the overall trends in unemployment rates, both locally and nationally, since before the recession.

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%	6.6%	5.8%
2009	8.8%	10.2%	9.3%
2010	9.5%	10.0%	9.6%
2011	8.6%	8.6%	8.9%
2012	7.0%	7.2%	8.1%

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

The Committee summarized the findings in its report by noting, “The economic signs are positive, but still clouded by the uncertainty presented through government and regulatory changes, banking policies, gas prices, unemployment and real estate issues. These factors constrain the long-term business investments and market demand that lead to sustained gains in the economy.” The economy is still growing, however slowly, and going forward many of the same questions remain:

- When will unemployment return to “normal” levels?
- What factors will cause enough investment and market demand to create long term growth?
- Can the Federal Government come together and produce a long term budgetary plan that brings revenue and spending into better balance?

The Great Recession was precipitated by a financial collapse. It takes time for over-leveraged businesses, consumers and governments to unwind their excessive debt. This must happen before vigorous growth can resume. While businesses and consumers have been making some progress in this area, the federal government has struggled, unable to come to consensus on solutions to some fundamental questions regarding revenue and spending and the role of government. This conflict is the source of much of the uncertainty that our economy faces.

FUTURE PROJECTS

Despite the uncertainties in the economy generally, there has been a lot of positive energy in Cincinnati in recent years. This energy is particularly evident downtown, with a number of significant development projects either recently completed or underway, such as the new residential and entertainment district on the riverfront known as “the Banks,” the new Horseshoe Casino on the northeast corner of downtown, continued revitalization of the historic Over-the-Rhine neighborhood, the planned construction of a new 3.6-mile modern streetcar line and a renewed interest in transit projects in general.

As Metro plans to celebrate its 40th anniversary in August 2013, there are a number of other significant projects that will also highlight the year, such as:

- Implementation of Phase 1 of the “go*Forward Metro Transit Plan,” which includes the expansion of two cross-town routes (41 and 51) to increase connectivity and transfer opportunities, adding frequencies to address over-crowding on some routes, restructuring of other routes to reduce service duplication and eliminate underutilized segments, and the simplification of Metro’s fare structure in 2014;
- Introduction of the new “Metro-Plus” pilot program, designed as a pre-cursor to Bus Rapid Transit (BRT) to provide increased frequencies and enhanced customer amenities (such as larger shelters, real-time information signs and more comfortable seats) along the heavily-traveled Montgomery Road corridor, with limited stops for faster travel time, and direct routing to the Uptown university and hospital districts;
- Introduction of smart cards & other new fare payment options, including an automated ticket vending machine on Government Square downtown;
- Breaking ground on the Uptown Transit District, a project designed to significantly improve bus stops in the greater Uptown area with high levels of passenger activity. Funded mostly by Federal grants, this project will include custom designed bus shelters, renovated sidewalks, lighting and landscaping, and real-time information signage to provide increased visibility and a safer and more attractive environment for passengers;
- Continued partnership with the City of Cincinnati on implementation of a 3.6 mile modern streetcar line through the downtown business district and Over the Rhine. In February, the City officially broke ground on this long-awaited project, for which SORTA is serving as the pass-through entity for more than \$40 million in Federal funding. When it is finally completed in 2016, SORTA will operate the line and take an important step forward in its evolution as a truly multi-modal transit agency.

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, flowing style.

Terry Garcia Crews
CEO & General Manager

Southwest Ohio Regional Transit Authority

Board of Trustees and Administration as of December 31, 2012

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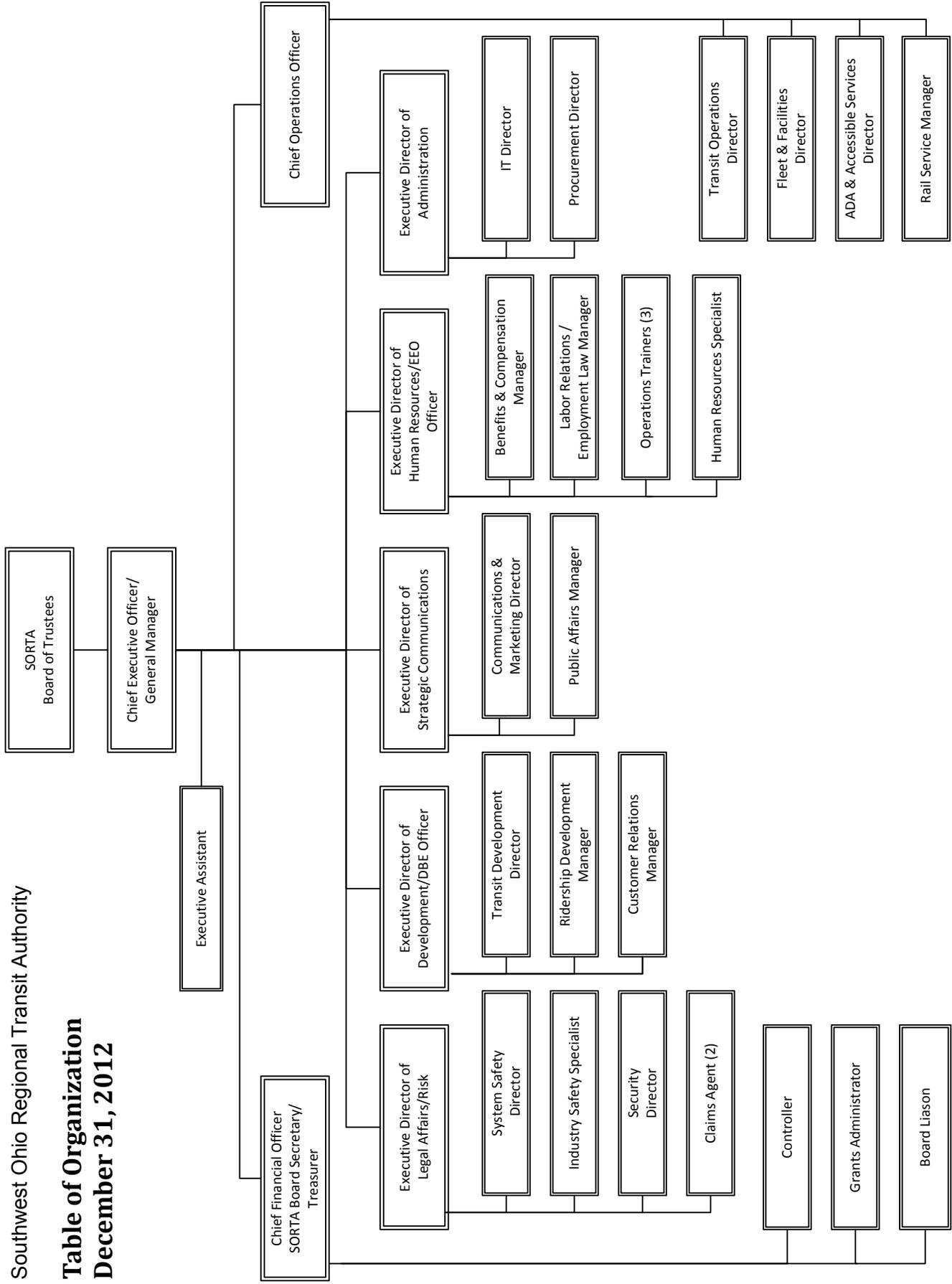
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**Table of Organization
December 31, 2012**



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, 2011

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.



Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

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CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com**INDEPENDENT AUDITORS' REPORT**

Board of Trustees
Southwest Ohio Regional Transit Authority
Cincinnati, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Southwest Ohio Regional Transit Authority (the Authority), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the financial statements of the Authority as of December 31, 2012 and 2011, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Trustees
Southwest Ohio Regional Transit Authority

Other Matters

Required Supplementary Information

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 Position – Budget and Actual (GAAP basis) for the year ended December 31, 2012 on pages 15 through 20 and 46 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 audit 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.

Other Information

Our audit was conducted for the purpose of an forming opinion 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 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 basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2013, 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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Toledo, Ohio
June 17, 2013

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis

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, 2012. 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 total net position at the end of 2012 was \$108.0 million, which represents an increase of \$7.7 million, or 7.7%, compared to the balance at the end of 2011;
- Operating revenue for the year was \$24.7 million, which represents an increase of about \$0.6 million, or 2.4%, over 2011;
- Operating expenses for the year (excluding depreciation and grant pass-throughs) were \$89.3 million, which represents an increase of \$5.0 million, or 6.0%, over 2011;
- Non-operating revenues, including federal, state and local subsidies, were \$64.4 million in 2012, which represents an increase of \$4.2 million, or 7.0%, compared to 2011.

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 position and changes in net position 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 financial information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses, and changes in net position presents information about how the Authority's net position changed during the fiscal year. All changes in net position 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 did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Southwest Ohio Regional Transit Authority

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

	As of December 31,		
	2012	2011	2010
Current assets	\$25,328	\$31,037	\$27,995
Non-current assets	7,927	9,876	7,125
Capital assets - net	<u>107,659</u>	<u>99,958</u>	<u>88,555</u>
Total assets	<u>\$140,914</u>	<u>\$140,871</u>	<u>\$123,675</u>
Current Liabilities	\$21,765	\$23,189	\$24,007
Non-current liabilities	<u>11,174</u>	<u>17,481</u>	<u>10,871</u>
Total liabilities	<u>32,939</u>	<u>40,670</u>	<u>34,878</u>
Net position			
Net investment in capital assets	107,659	99,958	88,555
Restricted	2,238	4,350	745
Unrestricted	<u>(1,921)</u>	<u>(4,107)</u>	<u>(503)</u>
Total net position	<u>107,975</u>	<u>100,201</u>	<u>88,797</u>
Total liabilities and net position	<u>140,914</u>	<u>140,871</u>	<u>123,675</u>

Note: Totals shown above may not be mathematically accurate as displayed due to rounding.

As noted earlier, net position over time may serve as a useful indicator of the Authority's financial position. As of December 31, 2012, the Authority's total assets exceeded total liabilities by \$108.0 million, which is an increase in net position of \$7.7 million, or 7.7%, over 2011. As of December 31, 2011, the Authority's total assets exceeded total liabilities by \$100.2 million, which is an increase in net position of \$11.4 million, or 12.8%, from 2010.

By far the largest portion of the Authority's net position 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 of December 31, 2012, amounts to \$107.7 million, net of accumulated depreciation, which is an increase of \$7.7 million, or 7.7%, over 2011. Major capital asset expenditures during 2012 included primarily the purchase of 44 new 40-foot, low-floor, low-sulfur

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (continued)

diesel buses at a cost of \$17.0 million, replacing 44 older diesel buses that had exceeded their 12-year useful life. Other significant additions included the following:

- \$1.7 million to rebuild and extend the life of 25 older bus engines. 79% of the cost was paid for with federal funds from the Diesel Emissions Reduction Grant program awarded by the State of Ohio Department of Development, as the new engines utilize more effective "clean diesel" technology, reducing emissions by 10-12%;
- \$0.5 million in additional equipment related to the new CAD/AVL system installed in 2011;
- \$0.4 million in design & engineering work on the new Uptown Transit District expected to break ground in 2013.

These additions were partially offset by depreciation expense for the year of \$13.8 million.

The Authority's investment in capital assets as of December 31, 2011, amounted 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;
- \$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 software and support 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 total net position from 2010 to 2011.

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

Debt Administration

The Authority maintains no short- or long-term debt, other than certain capital leases on occasion. There are no outstanding capital leases as of December 31, 2012 or 2011.

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (continued)**Condensed Statements of Revenues, Expenses and Changes in Net Position
(amounts in thousands)**

	<u>For the years ended December 31,</u>		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$24,653	\$24,081	\$24,309
Operating expenses other than depreciation	89,275	84,271	85,163
Depreciation and amortization expense	13,804	10,608	11,485
Grant pass throughs	244	271	351
Total operating expenses	<u>103,322</u>	<u>95,149</u>	<u>96,999</u>
Operating loss	(78,669)	(71,069)	(72,690)
Non-operating revenues, net	64,411	60,179	60,626
Federal grant pass throughs	244	271	351
Net loss before capital grant activity	<u>(14,014)</u>	<u>(10,619)</u>	<u>(11,713)</u>
Capital grant revenue	21,788	22,023	9,641
Change in net position	7,774	11,404	(2,072)
Net position, beginning of year	<u>100,201</u>	<u>88,797</u>	<u>90,869</u>
Net position, end of year	<u>\$107,975</u>	<u>\$100,201</u>	<u>\$88,797</u>

Note: Totals shown above may not be mathematically accurate as displayed due to rounding.

Operating Revenues

The Authority's operating revenues were \$24.7 million in 2012, which represents an increase of \$0.6 million, or 2.4%, compared to 2011. This increase is a result of increased passenger fares on Metro fixed route service. Most of the increase is due to a change in SORTA's contract with Cincinnati Public Schools (CPS), in which CPS paid more for student fare passes and less for the direct cost of extra service run by Metro during the school year. There was also a 26% increase in student ridership during the year, resulting in a 30% increase in fares paid by the students directly. These increases were partially offset by a 6.9% decrease in special transit fares from Access paratransit service, which experienced a 5.9% decrease in ridership during the year.

In 2011, the Authority's operating revenues were \$24.1 million, 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.

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (continued)

Operating Expenses

The Authority's operating expenses other than depreciation were \$89.3 million in 2012, which represents an increase of \$5.0 million, or 6.0%, compared to 2011. This increase was driven by several factors:

- 23% increase in total cost of diesel fuel, which increased from an average of \$2.16 per gallon in 2011 to \$2.69 per gallon in 2012. Gains from the Authority's hedging program totaled \$1.3 million for the year and helped mitigate the impact of this increase; however the net effect was still an increase of about \$1.6 million over 2011.
- \$1.5 million increase in health insurance costs. SORTA increased the amount that most employees pay towards their premium from 10% to 11%, but this was not enough to offset the 3% increase in rates from the insurance company due to heavy utilization of the health plan by employees.
- \$900,000 increase in parts expense, due primarily to an intensive campaign to rebuild 51 2001/2002 model year ISL engines that were experiencing premature failure rates due to design defects. Additionally, a complete physical inventory count of the parts storeroom during the year resulted in a significant amount of parts write downs.
- \$800,000 increase in wages & salaries due primarily to a 2% wage rate increase stipulated in the labor contract with the Amalgamated Transit Union (ATU), as well as merit-based increases for non-represented employees.

In 2011, the Authority's operating expenses other than depreciation were \$84.3 million, 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 ATU effective February 1, 2011, increased health insurance costs, and the filling of some salaried positions that were open for some or all of 2010, 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 (which resulted in the direct hiring of SORTA's CEO as a full-time employee);
- 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)

Non-Operating Revenues

Non-operating revenues were \$64.4 million in 2012, which is an increase of \$4.2 million, or 7.0%, over 2011. This increase is due to an increase in operating assistance from the City of Cincinnati Income Tax-Transit Fund due to higher tax receipts.

In 2011, non-operating revenues were \$60.2 million, 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 disabled 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.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those who are interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Southwest Ohio Regional Transit Authority, Chief Financial Officer, 602 Main Street, Suite 1100, Cincinnati, Ohio, 45202.

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Southwest Ohio Regional Transit Authority

**Balance Sheets
as of December 31, 2012 and 2011**

ASSETS	2012	2011
Current assets:		
Cash and cash equivalents (Note 4)	\$10,885,250	\$15,249,720
Investments (Note 4)	1,042,988	1,000,791
Receivables:		
Federal assistance	6,169,079	3,730,606
Other	2,527,019	1,007,657
Receivables for capital assistance-restricted	2,016,467	7,466,081
Inventory of materials and supplies	1,959,667	2,001,628
Prepaid expenses and other current assets	727,494	580,598
Total current assets	<u>25,327,964</u>	<u>31,037,081</u>
Non-current assets:		
Cash and cash equivalents-restricted (Note 4)	7,927,080	9,876,323
Capital assets (Note 5):		
Land and buildings	14,615,138	14,619,351
Improvements	27,134,958	26,886,713
Revenue vehicles	132,775,624	115,865,246
Other equipment	37,082,388	36,167,131
Construction in progress	1,341,664	3,377,061
Total capital assets	<u>212,949,772</u>	<u>196,915,502</u>
Less allowance for depreciation and amortization	<u>105,290,905</u>	<u>96,957,523</u>
Capital assets, net	<u>107,658,867</u>	<u>99,957,979</u>
Total non-current assets	<u>115,585,947</u>	<u>109,834,302</u>
Total assets	<u><u>\$140,913,911</u></u>	<u><u>\$140,871,383</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, 2012 and 2011 (continued)**

LIABILITIES AND NET POSITION	2012	2011
Current liabilities:		
Accounts payable	\$1,565,370	\$1,600,402
Capital expenditures payable	1,921,391	4,107,177
Accrued payroll	985,857	805,442
Accrued payroll taxes and other benefits (Note 8)	4,868,981	5,577,725
Current portion of estimated claims payable (Note 9)	1,330,000	2,764,000
Other current liabilities	3,980,257	3,291,398
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3):		
For operating purposes	989,958	-
For capital purposes	6,123,457	5,042,938
Total current liabilities	<u>21,765,271</u>	<u>23,189,082</u>
Non-current liabilities:		
Funds advanced for capital grants	7,705,958	12,992,057
Estimated claims payable, net of current portion (Note 9)	3,399,639	4,415,612
Other non-current liabilities	67,979	73,482
Total non-current liabilities	<u>11,173,576</u>	<u>17,481,151</u>
 Total liabilities	 <u>32,938,847</u>	 <u>40,670,233</u>
Net position:		
Net investment in capital assets	107,658,867	99,957,979
Restricted for:		
Capital projects	1,696,954	3,952,643
Pass-through to sub-recipient	39,042	34,599
Other purposes	501,593	363,105
Unrestricted deficit	(1,921,392)	(4,107,176)
Total net position	<u>107,975,064</u>	<u>100,201,150</u>
 Total liabilities and net position	 <u>140,913,911</u>	 <u>140,871,383</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 Position
as of December 31, 2012 and 2011**

	2012	2011
Operating Revenues		
Passenger fares for transit service	\$23,387,379	\$22,778,217
Special transit fares	667,812	717,401
Auxiliary transportation revenue	597,980	585,094
Total	<u>24,653,171</u>	<u>24,080,712</u>
Operating expenses other than depreciation:		
Labor	40,469,578	39,632,145
Fringe benefits	20,698,824	18,725,326
Materials and supplies consumed	15,148,237	12,712,773
Services	3,407,746	3,371,039
Utilities	1,401,699	1,601,939
Casualty and liability	514,850	803,952
Taxes	862,255	851,344
Purchased transportation services	5,521,776	5,464,721
Leases and rentals	568,183	546,920
Miscellaneous	681,418	560,817
Total	<u>89,274,566</u>	<u>84,270,976</u>
Grant pass-through—Everybody Rides Metro Foundation	243,751	270,515
Depreciation and amortization (Note 5)	13,803,722	10,607,842
Total operating expenses	<u>103,322,039</u>	<u>95,149,333</u>
Operating loss	<u>(78,668,868)</u>	<u>(71,068,621)</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 Position
as of December 31, 2012 and 2011 (continued)**

	2012	2011
Non-operating revenues (expenses):		
Federal maintenance grants and reimbursements (Note 6)	15,081,767	15,404,377
Federal grant pass-through—Everybody Rides Metro Foundation (Note 6)	243,751	270,515
State maintenance grants, reimbursements and special fare assistance (Note 6)	807,400	862,269
Local operating grants and special fare assistance (Note 6)	7,208,542	7,166,692
Investment income, net (Note 4)	147,215	235,891
Increase (decrease) in fair value of investments	1,550	(46,390)
Non-transportation revenue	392,089	673,232
Other non-operating expenses	<u>(852,258)</u>	<u>(1,574,699)</u>
Total	<u>23,030,056</u>	<u>22,991,887</u>
 Loss before operating assistance provided by City of Cincinnati		
Income Tax-Transit Fund and capital grant activity	(\$55,638,812)	(\$48,076,734)
Operating assistance from the City of Cincinnati		
Income Tax-Transit Fund (Note 3)	<u>41,625,148</u>	<u>37,457,491</u>
Net loss before capital grant activity	(14,013,664)	(10,619,243)
Capital grant revenue (Note 6)	<u>21,787,578</u>	<u>22,022,969</u>
Increase in net position during the year	7,773,914	11,403,726
Net position, beginning of year	<u>100,201,150</u>	<u>88,797,424</u>
Net position, end of year	<u>\$107,975,064</u>	<u>\$100,201,150</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, 2012 and 2011**

	2012	2011
Cash flows from operating activities:		
Receipts from fares and special service	\$24,394,534	\$24,445,523
Payments to suppliers	(24,465,181)	(28,022,589)
Payments for labor and employee benefits	(61,863,292)	(58,224,882)
Payments for claims and insurance	<u>(3,813,661)</u>	<u>(1,630,433)</u>
Net cash used in operating activities	<u>(65,747,600)</u>	<u>(63,432,381)</u>
Cash flows from noncapital financing activities:		
Transfer from City of Cincinnati Income Tax-Transit Fund	42,417,173	37,256,701
Federal maintenance grants and reimbursements	12,887,045	18,695,999
State maintenance grants, reimbursements and special fare assistance	807,400	862,269
Other local operating assistance received	7,782,250	7,166,692
Other non-operating expenses paid	<u>(852,258)</u>	<u>(1,574,699)</u>
Net cash provided by noncapital financing activities	<u>63,041,610</u>	<u>62,406,962</u>
Cash flows from capital and related financing activities:		
Capital grants received:		
City of Cincinnati Income Tax-Transit Fund	2,628,777	4,488,579
Federal, state and other local	15,172,754	19,680,507
Additions to capital assets	<u>(21,526,210)</u>	<u>(22,032,683)</u>
Net cash provided by (used in) capital and related financing activities	<u>(3,724,679)</u>	<u>2,136,403</u>
Cash flows from investing activities:		
Net cash receipts (payments) from investment securities	(43,747)	953,145
Interest received	<u>160,703</u>	<u>235,891</u>
Net cash provided by investing activities	<u>116,956</u>	<u>1,189,036</u>
Net increase (decrease) in cash and cash equivalents	(6,313,713)	2,300,020
Cash and cash equivalents at beginning of year	<u>25,126,043</u>	<u>22,826,023</u>
Cash and cash equivalents at end of year	<u><u>\$18,812,330</u></u>	<u><u>\$25,126,043</u></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, 2012 and 2011 (continued)**

	2012	2011
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	(\$78,668,868)	(\$71,068,621)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	13,803,722	10,607,842
Non-transportation revenue	392,089	673,232
Changes in assets and liabilities:		
Other receivables	(1,529,750)	279,516
Restricted - receivables for capital assistance	5,449,614	(7,248,287)
Inventory of materials and supplies	41,961	(226,076)
Prepaid expenses and other current assets	(146,896)	(318,771)
Accounts payable	(35,032)	63,697
Capital expenditures payable	(2,185,786)	3,604,252
Accrued expenses	(555,089)	75,083
Other liabilities	136,408	(218,012)
Estimated claims payable	<u>(2,449,973)</u>	<u>343,764</u>
Net cash used in operating activities	<u><u>(\$65,747,600)</u></u>	<u><u>(\$63,432,381)</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, 2012 and 2011

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, 2012 and 2011 (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 Position Classifications

GASB Statement No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus," as amended by GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," requires the classification of net position into the following three components:

- Net investment in capital assets—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, reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted—consisting of net assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of "net investment in capital assets" 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 liabilities when the funds are received 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.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

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.

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

Description	Years
Buildings	40
Improvements	15
Revenue vehicles	4-12
Other equipment	3-10

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

J. Claims

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

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

K. Compensated Absences

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

L. Budgetary Accounting and Control

SORTA's annual budget is prepared on the accrual basis of accounting. The budget includes amounts for current year revenues and expenses as well as new capital projects. The Authority maintains budgetary control by not permitting total operating expenses (excluding depreciation and amortization) and expenditures for individual capital projects to exceed revenue sources without approval by the Board of Trustees. No budget amendments were passed for 2012 or 2011. 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. Non-operating expenses include payments made to Butler County Regional Transit Authority (BCRTA) and Clermont Transportation Connection (CTC) pursuant to agreements in which BCRTA and

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

CTC transferred Federal funds to SORTA in exchange for non-federal funds from SORTA in the same amount.

O. Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation.

P. Change in Accounting Policy

In 2012, the Authority adopted the provisions of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and Statement No. 65, "Items Previously Reported as Assets and Liabilities." These statements provide financial reporting guidance for the new balance sheet components of deferred outflows of resources, deferred inflows of resources and net position, and define what types of transactions meet the criteria for classification in these new components. As of December 31, 2012 and 2011, the Authority had no balances that were classified as deferred outflows of resources or deferred inflows of resources.

3. Federal Grants and Local Reimbursement

SORTA receives capital assistance from the U.S. Department of Transportation under the Urban Mass Transportation Act of 1964 (the "Act"), as amended. Among other requirements of the Act, state and local governments must provide a proportionate share of funds and/or support (as defined by the Federal Transit Administration guidelines) for capital assistance. In addition to federal and state capital assistance, funding is also provided by a portion of the City income tax approved by the residents of the City and designated for transit operations. Operating assistance provided from the City Income Tax-Transit Fund 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 funds advanced for 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,

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements for the years ended December 31, 2012 and 2011 (continued)

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.

As of December 31, 2012 and 2011, the Authority maintained restricted cash and cash equivalents of \$7,927,080 and \$9,876,323, respectively, and unrestricted cash and investments of \$11,928,238 and \$16,250,511, respectively. The total cash and investments of \$19,855,318 and \$26,126,834, respectively, consisted of \$18,812,330 and \$25,126,043, respectively, in deposits and \$1,042,988 and \$1,000,791, 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, through 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,

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

2012 and 2011, the carrying amount of the Authority's deposits was \$18,812,330 and \$25,126,043, respectively, and the bank balance was \$18,895,349 and \$26,698,983, 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, 2012 and 2011, the fair value of the Authority's investments were as follows:

	2012	2011
U.S. Agency bonds	\$1,042,886	\$1,000,690
Star Treasury Reserve of Ohio (STAROhio)	<u>102</u>	<u>101</u>
Total investments	<u>\$1,042,988</u>	<u>\$1,000,791</u>

Investments held by the Authority at December 31, 2012 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	\$1,042,886	-	\$1,042,886	-	-
Star Treasury Reserve of Ohio (STAROhio)	102	-	102	-	-
Total Investments	<u>\$1,042,988</u>	<u>-</u>	<u>\$1,042,988</u>	<u>-</u>	<u>-</u>

The following table presents the Authority's bond investments as of December 31, 2012, 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	\$1,042,886	-	\$1,042,886	-	-
Total Investments	<u>\$1,042,886</u>	<u>-</u>	<u>\$1,042,886</u>	<u>-</u>	<u>-</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, 2012 and 2011 (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	-	-
Total Investments	\$1,000,791	-	\$1,000,791	-	-

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	-	-
Total Investments	\$1,000,690	-	\$1,000,690	-	-

5. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Deletions	Transfers	Balance December 31, 2012
Capital assets not being depreciated:					
Land	\$13,158,110		\$4,213		\$13,153,897
Construction in progress	3,377,061	\$1,341,664		(\$3,377,061)	1,341,664
Total capital assets not being depreciated	<u>16,535,171</u>	<u>1,341,664</u>	<u>4,213</u>	<u>(3,377,061)</u>	<u>14,495,561</u>
Capital assets being depreciated:					
Buildings	1,461,241				1,461,241
Improvements	26,886,713	224,886		23,359	27,134,958
Revenue vehicles	115,865,246	19,086,765	4,690,018	2,513,631	132,775,624
Other equipment	36,167,131	1,162,988	1,087,802	840,071	37,082,388
Total capital assets being depreciated	<u>180,380,331</u>	<u>20,474,639</u>	<u>5,777,820</u>	<u>3,377,061</u>	<u>198,454,211</u>
Less accumulated depreciation:					
Buildings	451,639	36,531			488,170
Improvements	14,240,149	1,662,033			15,902,182
Revenue vehicles	60,793,483	9,131,032	4,420,781	10,080	65,513,814
Other equipment	21,472,252	2,974,126	1,049,559	(10,080)	23,386,739
Total accumulated depreciation	<u>96,957,523</u>	<u>13,803,722</u>	<u>5,470,340</u>	<u>-</u>	<u>105,290,905</u>
Total capital assets being depreciated, net	<u>83,422,808</u>	<u>6,670,917</u>	<u>307,480</u>	<u>3,377,061</u>	<u>93,163,306</u>
Total capital assets, net	<u>\$99,957,979</u>	<u>\$8,012,581</u>	<u>\$311,693</u>	<u>-</u>	<u>\$107,658,867</u>

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

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	15,151,306	3,377,061	-	(1,993,196)	16,535,171
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	170,066,800	18,662,118	10,341,783	1,993,196	180,380,331
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	96,663,368	10,607,842	10,313,687	-	96,957,523
Total capital assets being depreciated, net	73,403,432	8,054,276	28,096	1,993,196	83,422,808
Total capital assets, net	\$88,554,738	\$11,431,337	\$28,096	-	\$99,957,979

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, 2012) had been owned by SORTA, the provision for depreciation for the years ended December 31, 2012 and 2011 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, 2012 and 2011 (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 Position for the years ended December 31, 2012 and 2011 consist of the following:

	2012	2011
Non-operating revenues:		
Federal:		
FTA-Maintenance and other assistance	<u>\$15,081,767</u>	<u>\$15,404,377</u>
FTA-grant pass-through-Everybody Rides Metro Foundation	<u>\$243,751</u>	<u>\$270,515</u>
State:		
ODOT-Fuel tax reimbursement	\$807,400	\$807,005
ODOT-Elderly and disabled fare assistance	-	55,264
Total	<u>\$807,400</u>	<u>\$862,269</u>
Local:		
Cincinnati Board of Education contract	\$6,459,908	\$6,608,369
Other	748,634	558,323
Total	<u>\$7,208,542</u>	<u>\$7,166,692</u>
Capital grant revenue:		
Federal	\$14,969,512	\$19,433,208
Local	6,818,066	2,589,761
Total	<u>\$21,787,578</u>	<u>\$22,022,969</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 \$267,334 in 2012 and \$255,000 in 2011. At December 31, 2012, the minimum future payments under leases with terms extending beyond one year are as follows:

<u>Year</u>	<u>Amount</u>
2013	\$203,891
2014	158,958
2015	162,296
2016	167,550
2017	177,253
2018-2022	<u>773,269</u>
Total	<u>\$1,643,217</u>

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements for the years ended December 31, 2012 and 2011 (continued)

8. Retirement Benefits

A. Public Employees Retirement System of Ohio

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

OPERS administers three separate pension plans as described below:

- The Traditional Pension Plan (“TP”)—a cost-sharing multiple-employer defined benefit pension plan.
- The Member-Directed Plan (“MD”)—a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the MD Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
- The Combined Plan (“CO”)—a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the TP Plan benefit. Member contributions, the investment of which are self-directed by the members, accumulate retirement assets in a manner similar to the MD Plan.

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

Funding Policy. The Ohio Revised Code provides statutory authority for member and employer contributions. In 2012 and 2011, members other than law enforcement personnel were required to contribute 10.0% of their covered payroll to OPERS. The 2012 and 2011 employer contribution rates for local government employer units were 14.0% of covered payroll including 4.0% from January 1, 2011 through December 31, 2012 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, 2012, 2011 and 2010 were \$4,426,000, \$4,247,000, and \$3,764,000, respectively, equal to 100% of the required contribution for each year.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

B. Private Pension Plans

Plan Description. One retiree at December 31, 2012, 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, 2012, 2011 and 2010 were determined using the unit credit actuarial cost method as follows:

	2012	2011	2010
Annual required contribution	\$ -	\$ -	\$ -
Interest on net pension obligation	-	-	-
Actuarial adjustment to net pension obligation	-	-	-
Annual pension cost	-	-	-
Contribution/benefit payments made	(962)	(2,456)	(5,805)
Decrease in net pension obligation	(962)	(2,456)	(5,805)
Net pension obligation beginning of year	20,140	22,596	28,401
Net pension obligation end of year	<u>\$ 19,178</u>	<u>\$ 20,140</u>	<u>\$ 22,596</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

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

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, the contribution rate used to fund health care was 4.0% of covered payroll for 2012 and 2011. 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, 2012, 2011, and 2010 were \$1,771,000, \$1,699,000, and \$2,145,000, respectively, equal to 100% of the required contributions for each year.

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, 2012, 479 individuals were eligible to receive life insurance benefits.

On its balance sheets as of December 31, 2012 and 2011, SORTA has recorded an accrued liability for life insurance benefits of \$1,024,947 and \$1,042,126, 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.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements for the years ended December 31, 2012 and 2011 (continued)

These liabilities were determined based on the following assumptions:

	2012		2011
Medical inflation assumptions	**		**
Future annual increases in life insurance premiums	1.00%		1.00%
Remaining life expectancy*	Individually Determined		
Medical			
Life	17.3 yrs		17.6 yrs
Interest factor	0.50%		0.60%

*Based on U.S. National Center for Health Statistics, Vital Statistics of the U.S. 2008 (most recent available).

**No medical inflation.

The total expense recognized by the Authority for postemployment benefits not provided under OPERS was approximately \$19,000 expense and (\$96,000) expense reduction for the years ended December 31, 2012 and 2011, respectively.

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 0.5%.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

The changes in the liabilities for self-insured risks for the years ended December 31, 2012, 2011 and 2010 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Public Liability and</u> <u>Property Damage</u>	<u>Total</u>
Balance, January 1, 2010	\$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	4,225,060	2,954,552	7,179,612
Claims, net of changes in estimates	791,699	571,989	1,363,688
Payments	<u>(931,500)</u>	<u>(2,882,161)</u>	<u>(3,813,661)</u>
Balance, December 31, 2012	<u>\$4,085,259</u>	<u>\$644,380</u>	<u>\$4,729,639</u>

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. As of December 31, 2012, 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, 2012, 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.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**

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 2012 and 2011, 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 \$0.012 per gallon and \$0.018 per gallon at December 31, 2012 and 2011, respectively. 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, 2012 and 2011, gains of \$1,319,310 (44.1 cents per gallon) and \$2,597,327 (86.9 cents per gallon), respectively, were recognized as decreases in diesel fuel expense. On December 31, 2012 and 2011, the remaining open contracts had \$507,780 and \$940,603 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, 2012 and December 31, 2011, 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.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (continued)**
**Everybody Rides Metro
Condensed Balance Sheets**

	<u>As of December 31,</u>	
	<u>2012</u>	<u>2011</u>
Current assets	\$553,244	\$524,114
Capital assets - net	<u>13,195</u>	<u>16,564</u>
Total assets	<u><u>\$566,439</u></u>	<u><u>\$540,678</u></u>
Current liabilities	<u>\$165,199</u>	<u>\$114,185</u>
Total liabilities	<u>165,199</u>	<u>114,185</u>
Net assets:		
Temporarily restricted	39,044	34,599
Unrestricted	<u>362,196</u>	<u>391,894</u>
Total net assets	<u>401,240</u>	<u>426,493</u>
Total liabilities and net assets	<u><u>\$566,439</u></u>	<u><u>\$540,678</u></u>

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

	<u>For the years ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Total revenues and public support	\$586,700	\$749,783
Total expenses	<u>611,953</u>	<u>704,233</u>
Change in net assets	(25,253)	45,550
Net assets, beginning of year	<u>426,493</u>	<u>380,943</u>
Net assets, end of year	<u><u>\$401,240</u></u>	<u><u>\$426,493</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, 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB No. 27." This statement makes significant changes to the manner in which governments, including SORTA, must account for and report the pensions provided to their employees. Among other requirements, Statement No. 68 will

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
for the years ended December 31, 2012 and 2011 (concluded)**

require SORTA to record a liability equal to its proportionate share of the total net pension liability of all participating employers in OPERS, and it will require SORTA to record expense equal to its proportionate share of total pension expense of all participating employers in OPERS. Currently, SORTA's pension expense is equal to its required contributions to OPERS, and a liability is recorded only when actual contributions are less than the required amount. Statement No. 68 will require additional footnote disclosures as well. This statement will not be effective for SORTA until the year ended December 31, 2015, and as such, the Authority has not yet determined the impact that this statement will have on its financial statements.

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 Position—
Budget and Actual (GAAP Basis)
for the year ended December 31, 2012**

	Budget	Actual	Variance Positive (Negative)
Operating revenues	\$23,794,270	\$24,653,171	\$858,901
Operating expenses other than depreciation and amortization:			
Labor	40,205,669	40,469,578	(263,909)
Fringe benefits	21,267,045	20,698,824	568,221
Materials and supplies consumed	14,654,138	15,148,237	(494,099)
Services	3,647,252	3,407,746	239,506
Utilities	1,759,374	1,401,699	357,675
Casualty and liability	392,100	514,850	(122,750)
Taxes	848,393	862,255	(13,862)
Purchased transportation services	5,980,691	5,521,776	458,915
Leases and rentals	565,227	568,183	(2,956)
Miscellaneous	567,322	681,418	(114,096)
Sub-total	<u>89,887,211</u>	<u>89,274,566</u>	<u>612,645</u>
Grant pass-through Everybody Rides Metro Foundation	243,751	243,751	-
Total	<u>90,130,962</u>	<u>89,518,317</u>	<u>612,645</u>
Depreciation and amortization	<u>14,000,000</u>	<u>13,803,722</u>	<u>196,278</u>
Total operating expenses	<u>104,130,962</u>	<u>103,322,039</u>	<u>808,923</u>
Operating loss	<u>(80,336,692)</u>	<u>(78,668,868)</u>	<u>1,667,824</u>
Non-operating revenues:			
Local operating grants and special fare assistance	51,511,460	48,833,690	(2,677,770)
Federal maintenance grants and reimbursements	11,967,190	15,081,767	3,114,577
Federal grant pass-through Everybody Rides Metro Foundation	243,751	243,751	-
State maintenance grants, reimbursements and special fare assistance	2,871,418	807,400	(2,064,018)
Investment income-net	165,000	147,215	(17,785)
Decrease in fair value of investments	-	1,550	1,550
Non-transportation revenue	430,131	392,089	(38,042)
Other non-operating expenses	(852,258)	(852,258)	-
Total	<u>66,336,692</u>	<u>64,655,204</u>	<u>(1,681,488)</u>
Net loss before capital grant activity	<u>(14,000,000)</u>	<u>(14,013,664)</u>	<u>(13,664)</u>
Capital grant revenue	<u>28,392,526</u>	<u>21,787,578</u>	<u>(6,604,948)</u>
Increase in net position during the year	<u>14,392,526</u>	<u>7,773,914</u>	<u>(6,618,612)</u>
Net position, beginning of year	<u>100,201,150</u>	<u>100,201,150</u>	<u>-</u>
Net position, end of year	<u>\$114,593,676</u>	<u>\$107,975,064</u>	<u>(\$6,618,612)</u>

STATISTICAL SECTION

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

Contents	Page(s)
Financial Trends	48-55
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
Revenue Capacity	56
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.	
Debt Capacity	57
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.	
Economic and Demographic Information	58-59
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
Operating Information	60-68
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 Position and Changes in Net Position - Last Ten Years
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating revenues										
Passenger fares for transit service	\$14,758	\$14,852	\$18,088	\$18,665	\$18,560	\$22,964	\$21,976	\$23,211	\$22,778	\$23,387
Special transit fares	487	414	563	700	550	474	439	689	717	668
Auxiliary transportation revenue	392	412	459	464	547	538	603	409	585	598
Total operating revenues	15,637	15,678	19,110	19,829	19,657	23,976	23,018	24,309	24,081	24,653
Non-operating revenues										
Federal maintenance grants and reimbursements	14,018	12,995	11,421	11,215	13,179	12,902	19,589	15,701	15,404	15,082
Federal grant pass-through	3,208	624	0	350	0	826	2,989	351	271	244
State maintenance grants and reimbursements and special fare assistance	1,308	1,351	1,340	2,297	2,172	2,050	1,701	1,248	862	807
State grant pass-through	0	146	0	0	0	0	0	0	0	0
Local operating grants and fare assistance	5,632	5,466	5,596	5,862	6,595	7,383	7,639	7,351	7,167	7,209
Investment income, net	698	754	1,111	1,580	1,611	1,153	496	611	236	147
Increase (decrease) in fair value of investments	(259)	(166)	(398)	(79)	412	309	(444)	(507)	(46)	2
Non-transportation revenue	513	585	668	706	667	627	629	690	673	392
Total non-operating revenues	25,118	21,755	19,738	21,931	24,636	25,250	32,599	25,445	24,567	23,882
Total Revenues	40,755	37,433	38,848	41,760	44,293	49,226	55,617	49,754	48,648	48,535
Operating expenses										
Labor	36,272	35,759	35,409	37,245	38,491	40,717	41,368	38,284	39,632	40,470
Fringe benefits	15,971	16,266	17,256	18,352	19,328	19,938	20,096	19,395	18,725	20,699
Materials and supplies consumed	8,222	8,955	10,597	12,863	14,261	15,618	16,779	12,663	12,713	15,148
Services	2,704	2,660	2,754	3,053	3,039	3,766	3,738	3,726	3,371	3,408
Utilities	1,341	1,302	1,561	1,637	1,872	1,916	1,807	1,868	1,602	1,402
Casualty and liability	1,343	(335)	288	459	500	486	954	1,769	804	515
Taxes	896	936	995	1,059	1,053	1,027	961	853	851	862
Purchased transportation services	5,840	5,921	5,898	6,106	6,182	5,977	6,058	5,475	5,465	5,522
Leases and rentals	455	467	506	491	484	534	457	503	547	568
Miscellaneous	1,311	391	520	636	387	526	388	627	561	681
Grant pass-through	3,943	770	0	350	0	826	2,989	351	271	244
Depreciation and amortization	9,550	10,090	10,606	11,489	12,051	11,281	11,109	11,485	10,608	13,804
Total operating expenses	87,848	83,182	86,390	93,740	97,648	102,612	106,704	96,999	95,150	103,322
Non-operating expenses	888	671	419	446	482	931	1,392	1,147	1,575	852
Total Expenses	88,736	83,853	86,809	94,186	98,130	103,543	108,096	98,146	96,725	104,174

(continued)

Southwest Ohio Regional Transit Authority

Net Position and Changes in Net Position - Last Ten Years (continued)
(dollars in thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating assistance from the City of Cincinnati Income Tax-Transit Fund grant pass-through	735	0	0	0	0	0	0	0	0	0
Operating assistance from the City of Cincinnati Income Tax-Transit Fund	37,696	36,331	37,355	40,937	41,786	43,036	41,369	36,679	37,457	41,625
Capital grant revenue	6,383	10,399	6,773	17,741	3,008	10,212	31,186	9,641	22,023	21,788
Increase (decrease) in net position	(\$3,167)	\$310	(\$3,833)	\$6,252	(\$9,043)	(\$1,069)	\$20,076	(\$2,072)	\$11,403	\$7,774
Net position at year-end	\$59,061	\$59,431	\$55,640	\$70,559	\$61,561	\$60,528	\$85,627	\$88,555	\$99,958	\$107,659
Net investment in capital assets	514	1,446	3,118	1,300	497	4,394	3,662	746	4,350	2,238
Restricted	18,602	17,610	15,895	9,047	9,805	5,871	1,581	(503)	(4,107)	(1,921)
Unrestricted	\$78,177	\$78,487	\$74,654	\$80,906	\$71,863	\$70,794	\$90,870	\$88,797	\$100,201	\$107,975
Total net position										

Source: SORTA's audited financial statements for each year. Some balances may have been reclassified to conform with the current year's presentation.
 Note: Totals shown above may not be mathematically accurate as displayed due to rounding.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues										
Passenger fares for transit service (1)	\$ 20,712	\$ 20,630	\$ 23,989	\$ 24,969	\$ 25,848	\$ 30,763	\$ 29,837	\$ 30,669	\$ 30,001	\$ 30,596
Special transit fares	487	414	562	700	550	474	439	689	717	668
Auxiliary transportation revenue	392	412	459	464	547	538	603	409	585	598
Total operating revenues	21,591	21,456	25,010	26,133	26,945	31,775	30,879	31,767	31,303	31,862
Non-Operating Revenues										
Federal grants and reimbursements (1)	14,018	12,995	11,421	11,215	13,179	12,902	19,589	15,701	15,404	15,082
Federal grant pass-through: Riverfront Transit Center	3,208	0	0	0	0	0	0	0	0	0
Federal grant pass-through: Union Township Park & Ride	0	624	0	0	0	0	0	0	0	0
Federal grant pass-through: Anderson Township Park & Ride	0	0	0	350	0	0	0	0	0	0
Federal grant pass-through: Cincinnati Zoo/Transit Hub	0	0	0	0	0	728	2,765	0	0	0
Federal grant pass-through: Everybody Rides Metro Foundation	0	0	0	0	0	98	224	351	271	244
State grants and reimbursements (1)	985	1,039	1,036	1,855	1,659	1,634	1,479	1,141	806	807
State grant pass-through: Union Township Park & Ride	0	146	0	0	0	0	0	0	0	0
Investment income	439	587	713	1,501	2,023	1,462	52	104	190	149
Non-transportation revenues	513	585	668	706	667	627	630	690	673	392
Sub-total	19,163	15,976	13,838	15,627	17,528	17,451	24,739	17,987	17,344	16,674
Local operating assistance	38,431	36,331	37,355	40,937	41,786	43,036	41,369	36,679	37,457	41,625
Total non-operating revenues	57,594	52,307	51,193	56,564	59,314	60,487	66,108	54,666	54,801	58,299
Total Revenues	\$ 79,185	\$ 73,763	\$ 76,203	\$ 82,697	\$ 86,259	\$ 92,262	\$ 96,987	\$ 86,433	\$ 86,104	\$ 90,161

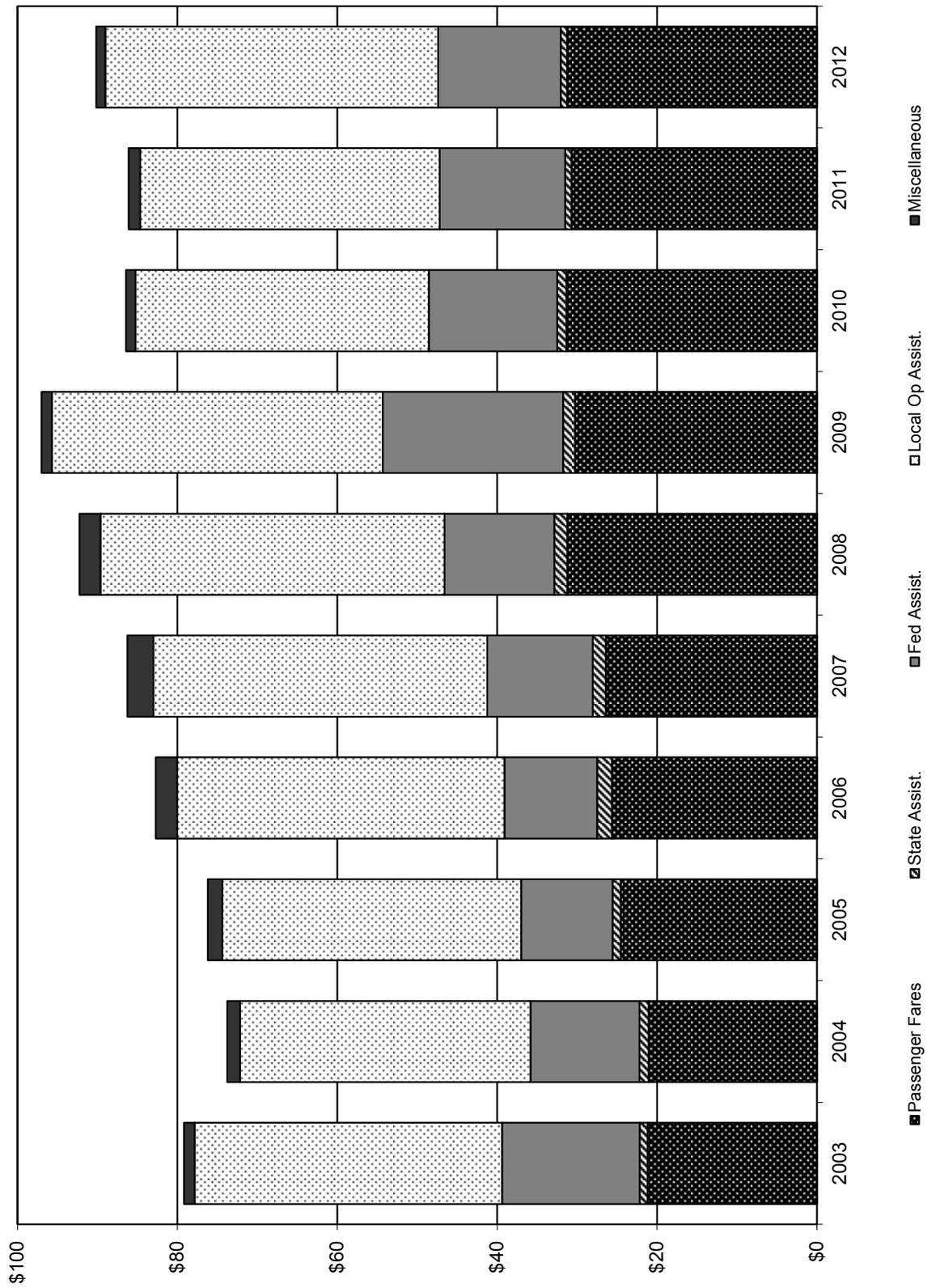
Amounts are presented in accordance with accounting principles generally accepted in the United States of America
Totals may not be mathematically accurate as displayed due to rounding.

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):

<u>YEAR</u>	<u>OPERATING AND OTHER REVENUE</u>			<u>OPERATING ASSISTANCE</u>			<u>TOTAL REVENUES</u>
	<u>PASSENGER</u>	<u>OTHER (2)</u>	<u>TOTAL</u>	<u>STATE & LOCAL (3)</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
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	32.8%	4.9%	37.8%	52.5%	9.6%	62.2%	100.0%
2012	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY:

<u>YEAR</u>	<u>OPERATING AND OTHER REVENUE</u>			<u>OPERATING ASSISTANCE</u>			<u>TOTAL REVENUES</u>
	<u>PASSENGER</u>	<u>OTHER (2)</u>	<u>TOTAL</u>	<u>STATE & LOCAL (3)</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
2003	26.8%	1.6%	28.4%	49.8%	21.8%	71.6%	100.0%
2004	28.5%	2.1%	30.6%	50.9%	18.5%	69.4%	100.0%
2005	32.2%	2.4%	34.6%	50.4%	15.0%	65.4%	100.0%
2006	31.0%	3.3%	34.3%	51.7%	14.0%	65.7%	100.0%
2007	30.6%	3.7%	34.3%	50.4%	15.3%	65.7%	100.0%
2008	33.9%	2.8%	36.7%	48.4%	14.9%	63.3%	100.0%
2009	31.2%	1.3%	32.5%	44.2%	23.3%	67.5%	100.0%
2010	36.3%	1.3%	37.6%	43.8%	18.6%	62.4%	100.0%
2011	35.7%	1.7%	37.4%	44.4%	18.2%	62.6%	100.0%
2012	34.7%	1.3%	36.0%	47.1%	17.0%	64.1%	100.0%

*Information is not available

(1) Source: The American Public Transit Association, "APTA 2013 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

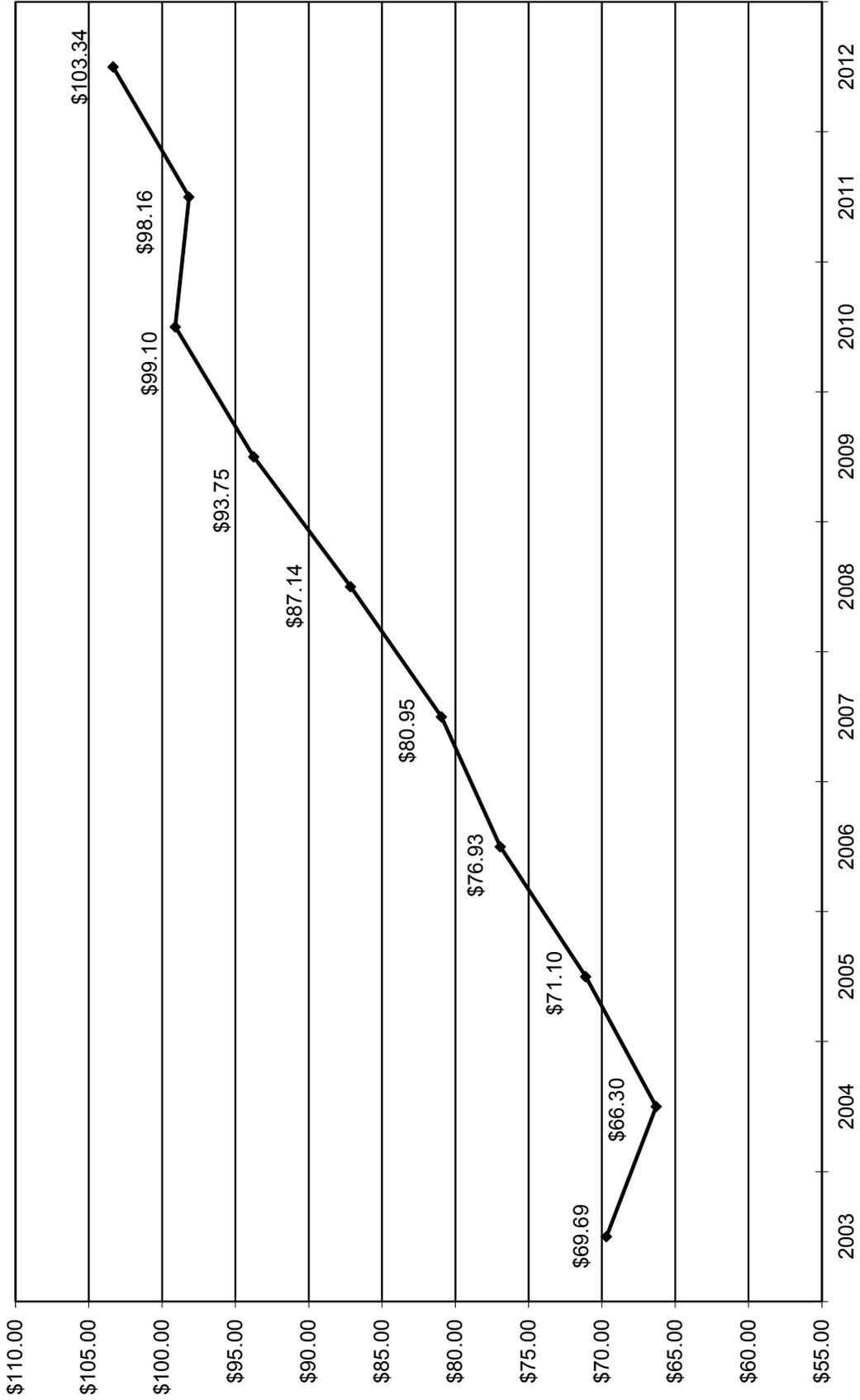
**Expenses by Object Class—Last Ten Years
(dollars in thousands)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Expenses Other Than Depreciation and Amortization:										
Labor	\$ 36,272	\$ 35,759	\$ 35,409	\$ 37,245	\$ 38,491	\$ 40,717	\$ 41,368	\$ 38,284	\$ 39,632	\$ 40,470
Fringe Benefits	15,971	16,266	17,256	18,352	19,328	19,938	20,096	19,395	18,725	20,699
Materials and supplies consumed	8,222	8,955	10,597	12,863	14,262	15,618	16,779	12,663	12,713	15,148
Services	2,704	2,660	2,754	3,053	3,039	3,766	3,738	3,726	3,371	3,408
Utilities	1,341	1,302	1,561	1,638	1,872	1,916	1,807	1,868	1,602	1,402
Casualty and liability	1,343	(335)	288	459	500	486	954	1,769	804	515
Taxes	896	936	995	1,059	1,053	1,027	961	853	851	862
Purchased transportation services	5,840	5,921	5,899	6,106	6,182	5,977	6,058	5,475	5,465	5,522
Leases and rentals	455	467	506	491	484	534	457	503	547	568
Miscellaneous	1,311	391	519	635	387	526	388	627	561	681
Total	74,355	72,322	75,784	81,901	85,598	90,505	92,606	85,163	84,271	89,275
Grant pass-through: Riverfront Transit Center	3,943	0	0	0	0	0	0	0	0	0
Grant pass-through: Union Township Park & Ride	0	770	0	0	0	0	0	0	0	0
Grant pass-through: Anderson Township Park & Ride	0	0	0	350	0	0	0	0	0	0
Federal grant pass-through: Cincinnati Zoo/Transit Hub	0	0	0	0	0	728	2,765	0	0	0
Federal grant pass-through: Everybody Rides Metro Foundation	0	0	0	0	0	98	224	351	271	244
Depreciation and Amortization	9,550	10,090	10,606	11,489	12,051	11,281	11,109	11,485	10,608	13,804
Total Operating Expenses	\$ 87,848	\$ 83,182	\$ 86,390	\$ 93,740	\$ 97,649	\$102,612	\$106,704	\$ 96,999	\$ 95,150	\$ 103,322

Amounts are presented in accordance with accounting principles generally accepted in the United States of America
 Totals may not be mathematically accurate as displayed due to rounding.
 Source: SORTA's independently audited annual financial statements

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Operating Expenses per Vehicle Hour – Last Ten Years



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

Southwest Ohio Regional Transit Authority

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

TRANSPORTATION INDUSTRY (1):

<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>
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	65.0%	11.4%	6.6%	3.3%	2.6%	13.3%	-2.2%	100.0%
2012	*	*	*	*	*	*	*	*

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>
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%
2012	68.3%	16.9%	4.1%	1.6%	0.6%	6.2%	2.3%	100.0%

* Information is not available

(1) Source: The American Public Transit Association, "APTA 2013 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 (dollars 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>
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
2012	15,046	46,075	94	45,046	714	15,455
		<u>\$425,888</u>	<u>\$2,731</u>	<u>\$415,653</u>	<u>\$8,989</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)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Outstanding debt by type:										
Capital lease obligation	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000	\$10,000	\$5,000	\$0	\$0	\$0
Total outstanding debt	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000	\$10,000	\$5,000	\$0	\$0	\$0
Population - Hamilton County, Ohio (1)	837	832	828	823	842	851	855	802	800	802
Outstanding debt per capita	\$22.27	\$22.40	\$22.51	\$12.15	\$11.88	\$11.75	\$5.85	\$0.00	\$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.

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	\$29,197

<u>YEAR</u>	<u>K-12 SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE (3)</u>	<u>POPULATION (4)</u>
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	145,438	8.6%	800,362
2012	138,879	7.0%	802,038

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 2012 and 2003**

<u>2012</u>			
Employer	Nature of Business	Employees	Percentage of Total County Employment
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	7,180	1.9%
	Total	<u>110,480</u>	<u>29.7%</u>
	Total County Employment:	<u>371,900</u>	

<u>2003</u>			
Employer	Nature of Business	Employees	Percentage of Total County Employment
University of Cincinnati	Public university	15,400	3.8%
Kroger Co.	National grocery retailer	13,470	3.4%
Health Alliance of Greater Cincinnati	Health care system	12,827	3.2%
Procter & Gamble Co.	Consumer products company	12,500	3.1%
Toyota Motor Manufacturing North America Inc.	Automotive manufacturer	8,523	2.1%
Cincinnati Public Schools	Public school system	7,596	1.9%
TriHealth	Health Care System	7,319	1.8%
Fifth Third Bank	Banking and Financial Services	7,253	1.8%
City of Cincinnati	Municipal government	7,250	1.8%
Cincinnati Children's Hospital Medical Center	Pediatric medical center	7,202	1.8%
	Total	<u>99,340</u>	<u>24.8%</u>
	Total County Employment	<u>400,100</u>	

Source: 2013 Business Courier Book of Lists (Business Courier Book of Lists 2005)

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Operating Statistics – Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
System Ridership (1)										
Motor bus	23,872,078	23,052,379	25,900,339	25,294,117	25,897,973	25,833,969	22,886,445	18,821,828	18,784,769	17,390,349
Demand responsive	271,448	267,271	258,013	261,449	249,528	238,352	234,507	185,804	172,963	162,771
Average Weekday System Ridership (1)										
Motor bus	82,656	80,261	87,320	85,990	87,605	87,066	77,389	64,711	63,706	59,544
Demand responsive	938	915	899	913	866	824	805	648	604	570
Vehicle Miles Operated (1)										
Motor bus	13,560,173	13,326,524	12,931,616	12,844,463	12,516,090	12,638,029	12,355,966	10,947,052	11,075,394	11,175,537
Demand responsive	2,743,402	2,678,869	2,470,081	2,413,080	2,328,126	2,216,026	2,064,155	1,629,544	1,531,529	1,450,664
Average Weekday Vehicle Miles Operated (1)										
Motor bus	46,354	45,099	43,502	43,313	42,136	42,413	41,714	37,101	37,506	37,908
Demand responsive	9,476	9,169	8,603	8,428	8,082	7,656	7,087	5,687	5,350	5,079
Revenue Miles (1)										
Motor bus	11,511,422	11,291,291	11,018,173	11,016,477	10,771,594	10,774,532	10,445,144	8,923,481	9,178,389	9,351,070
Demand responsive	2,404,108	2,324,105	2,135,177	2,058,816	1,973,788	1,922,900	1,809,465	1,422,463	1,335,563	1,258,233
Passenger Miles (1)										
Motor bus	129,392,725	133,255,711	139,002,211	128,950,847	124,944,312	127,342,586	103,965,183	86,058,502	94,763,303	86,595,685
Demand responsive	2,820,444	2,471,802	2,483,351	2,736,332	2,567,530	2,558,818	2,521,893	1,931,873	2,056,530	1,816,524

(continued)

Southwest Ohio Regional Transit Authority

Operating Statistics – Last Ten Years (continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vehicle Hours Operated (1)										
Motor bus	957,369	938,438	907,290	911,536	909,219	913,117	892,296	760,187	767,333	774,170
Demand responsive	166,202	164,052	158,632	157,647	148,114	134,974	127,345	102,726	94,368	89,439
Vehicle Revenue Hours (1)										
Motor bus	875,770	858,610	830,384	831,841	815,878	821,178	802,130	687,273	695,282	713,214
Demand responsive	130,477	124,912	117,240	118,654	114,006	108,546	105,574	83,638	77,724	73,299
Diesel Fuel Consumption (In Gallons) (1)	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	2,992,001
Fleet Requirements (During Peak Hours) (1)										
Motor bus	359	344	325	325	325	324	324	280	287	289
Demand responsive	48	43	43	48	48	48	48	48	48	48
Total Revenue Vehicles During Period (1)										
Motor bus	432	430	390	390	390	388	388	333	344	346
Demand responsive	53	53	53	53	53	51	52	53	48	48
Number of Full Time Employees (2)	787	793	786	785	801	814	744	722	704	719

Sources:
 (1) SORTA's annual "National Transit Database" (NTD) report filed with the Federal Transit Administration. Note that in 2012, SORTA began reporting annual system ridership using data provided by farebox transactions, which represents a change from the sampling methodology used in prior years.
 (2) Human Resources Department "Personnel Distribution - Department Breakdown" report.

Southwest Ohio Regional Transit Authority
Capital Asset Information as of December 31, 2012

ACCESS

1801 Transpark Drive, Cincinnati, Ohio 45229-1239

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

SILVERTON

7000 Montgomery Road, Cincinnati, Ohio 45236-3835

Building Total Square Footage	3,327
Which includes:	
Office space	1,260
Operations	1,927
Maintenance	0
Storage	50
Real Estate Acreage	2.25
Sq. Ft. parking lot	28,800

Park and Ride Spaces	120
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FOREST PARK, PARK AND RIDE

1160 Kemper Meadow Drive, Cincinnati, Ohio 45240

Real Estate Acreage	2.34
Park and Ride Spaces	120

(continued)

Southwest Ohio Regional Transit Authority

Capital Asset Information as of December 31, 2012 (continued)**PARATRANSIT VEHICLES**

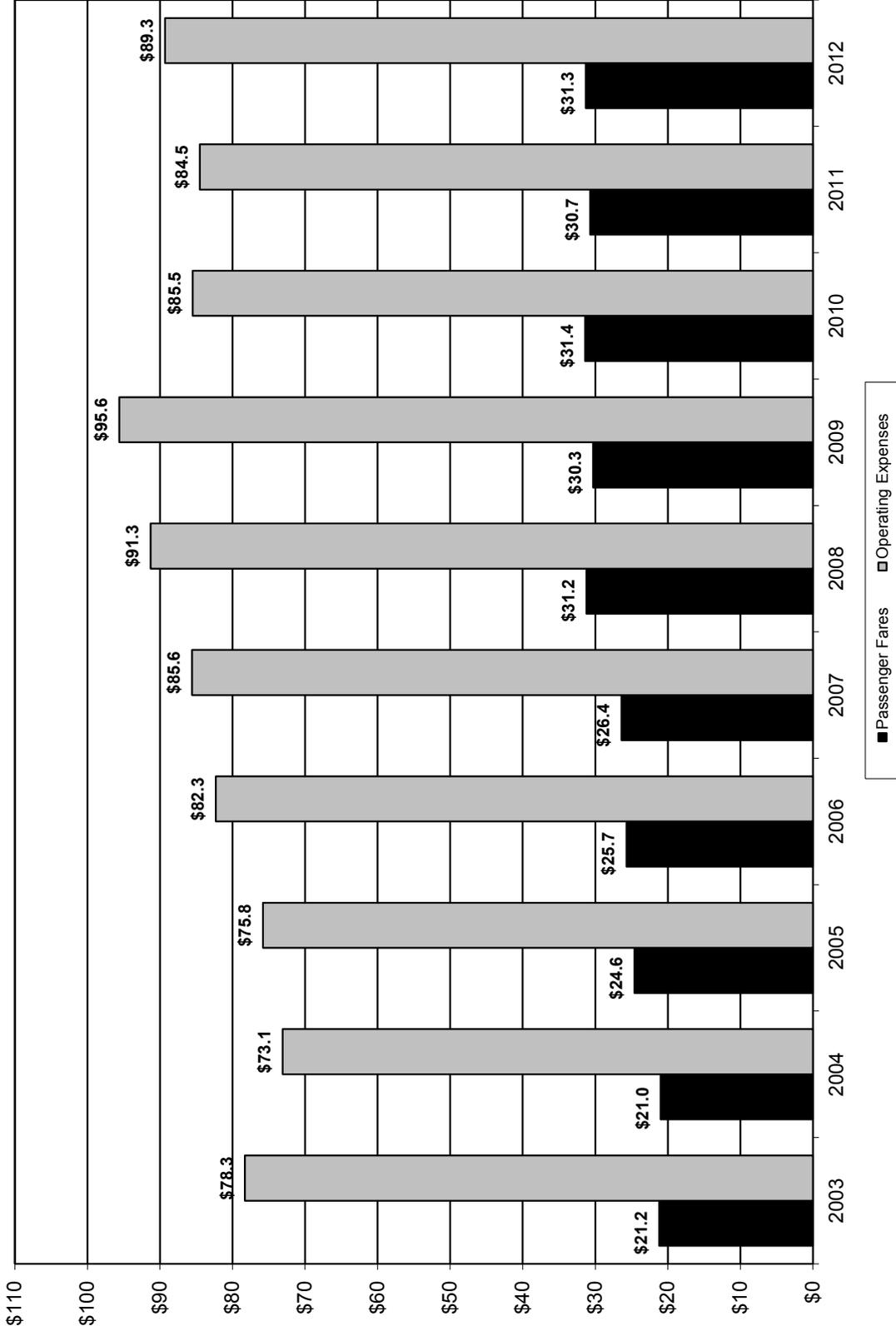
Quantity	Year	Manufacturer
1	2002	Eldorado
4	2006	Ford
14	2007	Eldorado
9	2008	Eldorado
13	2010	Ford
3	2011	Chevrolet
4	2012	Chevrolet
48	Total Paratransit Vehicles	

BUSES

Quantity	Year	Manufacturer
7	1998	Gillig
18	1999	Gillig
6	2000	Gillig
51	2001	Gillig
38	2002	Gillig
23	2004	Gillig
39	2006	Gillig
1	2008	Gillig
30	2008	New Flyer
67	2009	New Flyer
7	2010	New Flyer
1	2011	Gillig
14	2011	New Flyer
44	2012	Gillig
346	Total Buses	

Southwest Ohio Regional Transit Authority

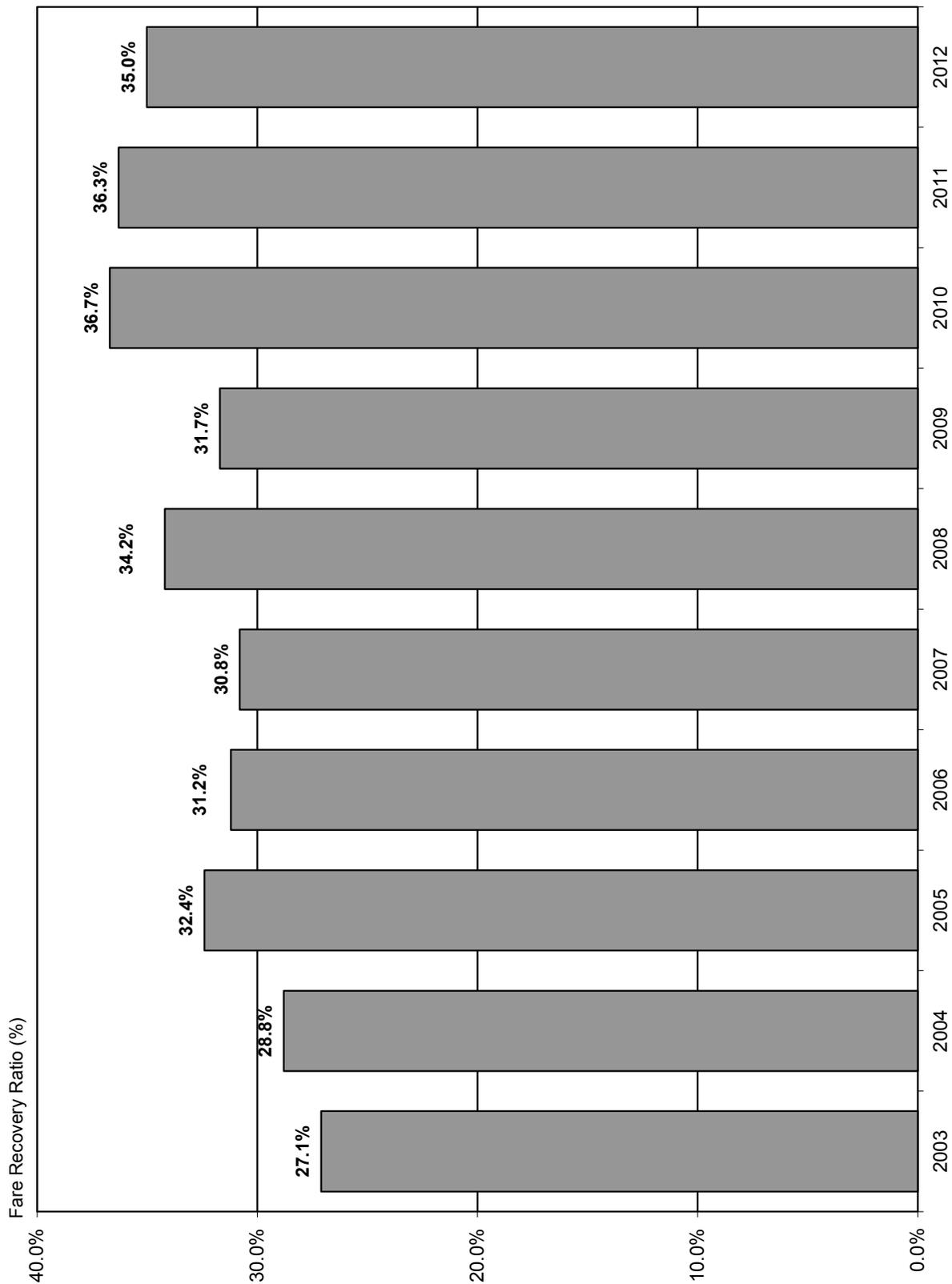
Passenger Fares vs. Operating Expenses – Last Ten Years



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



6 Southwest Ohio Regional Transit Authority

Revenue Rates – Last Ten Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cash or Token Fares										
Zone 1 fare (3)			\$1.00	\$1.00	\$1.00	\$1.50	\$1.50	\$1.75	\$1.75	\$1.75
Zone 2 fare (3)			\$1.50	\$1.50	\$1.50	\$2.00	\$2.25	\$2.65	\$2.65	\$2.65
Zone 3 fare (3)			\$2.00	\$2.00	\$2.50	\$2.50	\$3.00	\$3.00		
Express Service (Monday-Friday)(Harrison)									\$3.00	\$3.00
Express Service (Monday-Friday)(Clermont County)									\$3.75	\$3.75
Express Service (Monday-Friday)(Butler County) Zone 4			\$2.25	\$2.25	\$2.75	\$3.00	\$3.50	\$3.50	\$3.50	\$3.50
Express Service (Monday-Friday)(Warren County) Zone 5					\$3.25	\$3.75	\$4.25	\$4.25	\$4.25	\$4.25
Parking Meeter shuttle (Monday-Friday)	\$0.25	\$0.25	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Downtown midday shuttle (Monday-Friday)	\$0.25									
Weekday peak hours (6 to 9am and 3 to 6pm)	\$0.80	\$0.80								
Weekday non-peak hours	\$0.65	\$0.65								
Weekday zone fare (zone 2) (3)	\$0.30	\$0.30								
Weekday zone fare (zone 3) (3)	\$0.60	\$0.60								
Weekend flat rate (no zone fares apply)	\$0.50	\$0.50								
Express Service (Monday-Friday)	\$2.00	\$2.00								
Eastgate Express Service (Monday-Friday)	\$1.75	\$1.75	\$1.75							
Weekday transfers	\$0.10	\$0.15								
Transfers	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.50	\$0.50	\$0.50
Access Zone 1 (1)			\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$3.50	\$3.50	\$3.50
Access Zone 2 (1)			\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$4.50	\$4.50	\$4.50
Access weekday (1)	\$1.00	\$1.00								
Access weekend (1)	\$0.75	\$0.75								
Monthly Passes										
MetroCard Zone 1 Pass (zone one) (3)	\$32.00	\$32.00	\$40.00	\$40.00	\$40.00	\$55.00	\$55.00	\$70.00	\$70.00	\$70.00
MetroCard A Pass (zone one, weekdays only) (3)	\$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	\$106.00
MetroCard B Pass (two zones, weekdays only) (3)		\$44.00								
MetroCard Zone 3 Pass (three zones) (3)		\$72.00	\$80.00	\$80.00	\$95.00	\$95.00	\$120.00	\$120.00		
MetroCard B Pass (three zones, weekdays only) (3)	\$70.00									
MetroCard Harrison Zone Pass									\$120.00	\$120.00
MetroCard Clermont Zone Pass									\$150.00	\$150.00
MetroCard Zone 4 Pass (Butler County)					\$105.00	\$115.00	\$140.00	\$140.00	\$140.00	\$140.00
MetroCard All Pass (express routes and all zones)			\$90.00	\$90.00	\$125.00	\$145.00	\$170.00	\$170.00	\$170.00	\$170.00

(continued)

Southwest Ohio Regional Transit Authority

Revenue Rates - Last Ten Years (continued)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Metro/Tank Pass (zone one) (3)		\$60.00	\$70.00	\$70.00	\$70.00	\$85.00	\$90.00	\$105.00	\$105.00	\$105.00
Metro/Tank Pass (zone one, weekdays only) (3)	\$60.00									
Fare Deal (2) (three zones) (3)	\$19.00		\$24.50	\$24.50	\$24.50	\$32.50	\$32.50	\$38.50	\$38.50	\$38.50
Weekend Pass	\$8.00									
Discount Fares (Fare Deal (2) and Children under 45")										
Zone 1 fare			\$0.50	\$0.50	\$0.50	\$0.75	\$0.75	\$0.85	\$0.85	\$0.85
Zone 2 fare			\$0.75	\$0.75	\$0.75	\$1.00	\$1.10	\$1.30	\$1.30	\$1.30
Zone 3 fare			\$1.00	\$1.00	\$1.00	\$1.25	\$1.50	\$1.50	\$1.50	\$1.50
Fare Deal (2) flat rate (no zone fares apply)	\$0.40	\$0.40								
Children under 45" flat rate (no zone fares apply)	\$0.40	\$0.40								

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

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

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

(4) The revenue base to which these rates are applied can be found in Operating Statistics - Last Ten Years - System Ridership (page 60).

Southwest Ohio Regional Transit Authority

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Vehicle Operations	607.0	591.0	595.0	595.0	579.0	585.0	513.0	467.5	463.5	468.5
Vehicle Maintenance	187.0	186.0	182.0	187.0	195.0	202.0	187.0	187.0	182.0	182.0
Non-Vehicle Maintenance	30.0	29.0	24.0	29.0	34.0	30.0	34.0	27.0	24.0	25.0
General Administration	88.0	87.5	85.0	86.5	90.0	93.5	89.0	80.0	85.5	88.0
Paratransit Service	9.5	9.0	9.0	10.5	15.0	9.5	7.5	7.5	5.5	5.5
Total Employees	921.5	902.5	895.0	908.0	913.0	920.0	830.5	769.0	760.5	769.0

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



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
NOVEMBER 7, 2013**