

Southwest Ohio Regional Transit Authority  
Hamilton County, Ohio

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2007

Melody Sawyer Richardson  
Chair  
Board of Trustees

Michael H. Setzer  
CEO & General Manager  
Metro Operating Division

Prepared by:  
Department of Accounting and Budget



Southwest Ohio Regional Transit Authority

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended December 31, 2007

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# SORTA

Southwest Ohio Regional Transit Authority

1014 Vine Street, Suite 2000  
Cincinnati, Ohio 45202-1116  
(513) 632-9220

## Trustees

Melody Sawyer Richardson  
**Chair**

William L. Mallory Sr.  
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## SORTA's Mission

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



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

June 2008

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

The Comprehensive Annual Financial Report (CAFR) of the Southwest Ohio Regional Transit Authority (SORTA or Metro) for the fiscal year ended December 31, 2007, is hereby respectfully submitted. This CAFR was prepared by the Accounting and Budget Department and represents SORTA's commitment to provide accurate, concise and high-quality financial information to its Board of Trustees, interested parties and residents in its service area.

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

The Governmental Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SORTA for its comprehensive annual financial report for the fiscal year ended December 31, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance to the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily-readable and efficiently-organized comprehensive annual financial report, whose contents conform to program standards. Such a 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. SORTA received a Certificate of Achievement for its last submission to GFOA (fiscal year ended 2006) as well as the previous fifteen years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

This CAFR is divided into the following three sections:

- **Introductory Section** contains this letter of transmittal, a list of the members of the Board of Trustees and Administration, and a Table of Organization.
- **Financial Section** includes the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements (with related footnotes) for the years ended December 31, 2007 and 2006, and the supplemental schedule of revenues, expenses, and changes in net assets—budget and actual for the year ended December 31, 2007.
- **Statistical Section** provides financial, economic, and demographic information which is useful for indicating trends for comparative fiscal periods.

## REPORTING ENTITY

### General

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

SORTA was created under Chapter 306 of the Ohio Revised Code by a resolution of the Hamilton County Board of Commissioners adopted on October 2, 1968. SORTA’s service area is comprised of 211 square miles in Hamilton County, 21 square miles in Clermont County, 16 square miles in Warren County and 5 square miles in Butler County. This service area encompasses 9 townships, 13 villages and 19 cities, including the City of Cincinnati.

### Commencement of Operations and Funding

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

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

### Facilities

SORTA’s six facilities are located at:

- **1014 Vine Street, Suite 2000**, a leased facility in downtown Cincinnati, houses Metro’s administrative offices, along with the office of SORTA staff and Board of Trustees.
- **120 East Fourth Street**, a leased facility in downtown Cincinnati, operated jointly with the Transit Authority of Northern Kentucky (TANK) and provides customer services, bus rider information, and sales services.
- **Bond Hill Operating Division**, 4700 Paddock Road, provides indoor storage for up to 145 buses and light maintenance work areas.

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

## Services

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

- 54 Metro fixed bus routes, many of which are multi-branch, provide 83 local or express services: 30 local services operating seven days a week; 39 local services operating Monday through Saturday; 47 local services operating on weekdays; and 36 commuter express services, operating primarily during weekday rush hours.
- Metro's fixed route hours are: weekdays, from 4:11 a.m. to 1:40 a.m. the next day; Saturdays, 4:39 a.m. to 1:42 a.m. the next day; and Sundays and holidays, 5:06 a.m. to 1:25 a.m. the next day.
- SORTA estimates that it will provide approximately 910,000 hours of Metro fixed-route bus service in 2008, which will yield approximately 13 million vehicle miles of operation, including nonrevenue miles. In 2007, Metro provided 909,000 hours of fixed route service, yielding 12.5 million vehicle miles of operation, including nonrevenue miles, and 25.9 million rides.
- Based on a review of 2000 Census data, it is estimated that 80% of the residents of the service area live within three-quarters of a mile of Metro fixed-route bus services.
- Access, a demand-responsive, shared-ride service for persons with disabilities, is managed and operated by a private contractor which uses SORTA's fleet of 45 lift-equipped vehicles and 7 ambulatory vehicles. SORTA's Director of Accessible Services provides oversight for this service. SORTA projects that in 2008 it will provide approximately 265,000 passenger trips and approximately 2.5 million vehicle miles of Access service. In 2007, Access provided 250,000 passenger trips and 2.3 million vehicle miles.

## Management, Board of Trustees

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

## Administration

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

## ECONOMIC CONDITION AND OUTLOOK

### General

Hamilton County (SORTA's primary service area) is situated in the southwest corner of Ohio. The county seat is the City of Cincinnati, which is located on the southern boundary of the state on the Ohio River. The Cincinnati Metropolitan Statistical Area (MSA) consists of 13 counties: Brown, Butler, Clermont, Hamilton and Warren in Ohio; Boone, Campbell, Gallatin, Grant, Kenton and Pendleton in Kentucky; and Dearborn and Ohio in Indiana. The MSA population in 2002 was 2,040,746. Hamilton County's population of 845,303 comprises more than 40 percent of the 13-county total.

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

- **Access.** Cincinnati offers unrivaled access to the rest of the world. The Cincinnati/Northern Kentucky International Airport (CVG) is ranked #1 in the U.S. and #10 in the world by International Air Transport Association offering daily non-stop flights to 120 cities around the globe. In addition, I-75, I-71 and I-74 link the Cincinnati region to the rest of the continental United States, putting 20 major metro markets within 400 miles and 30 major metro markets within 600 miles of ground transportation. Four major railroad systems serve the Cincinnati region: Amtrak, CSX, Conrail and Norfolk Southern. For river transportation, Port Cincinnati is the fifth largest inland port. 52.3 million tons pass annually through Cincinnati USA on the Ohio River and its milder climate means the river doesn't freeze, offering a year-round mode of transport.
- **Diversity.** Small businesses prosper alongside major corporations in an economy that is increasingly high-tech and global in scope. This economic diversity has helped the region weather downturns that have been devastating to other cities, particularly those in the Midwest that rely on heavy manufacturing. Here in Greater Cincinnati, business has developed along the lines of "clusters," or different business sectors that have a high amount of representation. These clusters are: aerospace, automotive, brand design and creative services, biotechnology, chemistry, IT services, financial services and consumer goods. In addition, nine Fortune 500 companies are headquartered in downtown Cincinnati, including AK Steel, Ashland Inc., Chiquita Brands International, Fifth Third Bancorp, The Kroger Co., Macy's Inc., Omnicare, Procter & Gamble Co. and Western & Southern Financial.
- **Housing.** Local conditions reflect the current volatility of national market trends. Ohio has led the nation in foreclosures; locally, while housing inventory remains somewhat high, low interest rates combined with a low cost of living and continued availability of land have sheltered Greater Cincinnati from the national homebuilding and real estate crisis better than many other markets of similar size. Strong activity in downtown residential development continues to drive the market, and many new projects are in development or under construction.



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

Unemployment in Hamilton County, which had stayed below the nation for many years, has recently crossed over to being above the national average. The Cincinnati area unemployment rate for 2007 was 5.0 percent, compared with a national average of 4.6 percent. This has been largely due to job losses in manufacturing. Predictions by the Economic Advisory Committee of the Greater Cincinnati Chamber of Commerce call for the local unemployment rate to fall slightly to 4.9 percent in 2008.

## Population

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

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

Source: U.S. Bureau of the Census

Recent population changes in Hamilton County do not appear to have had a substantial effect on SORTA's ridership. SORTA's motor bus ridership has been averaging between 23 million and 28 million rides per year over the past 10 years. Metro's ridership increased by 600,000 passengers in 2007.

## Employment

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

<b>Average Unemployment Rates</b>			
<u>Year</u>	<u>Hamilton County (1)</u>	<u>Ohio (1)</u>	<u>U.S. (2)</u>
2003	5.1%	6.1%	6.0%
2004	5.6%	6.1%	5.5%
2005	5.7%	5.9%	5.1%
2006	5.0%	5.5%	4.6%
2007	5.0%	5.6%	4.6%

Source: (1) Ohio Bureau of Employment Services  
(2) U.S. Department of Labor, Bureau of Labor Statistics

## **Housing and Building Permits**

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

## **MAJOR INITIATIVES**

### **Recent Developments**

Highlights from Metro's operations in 2007 include the following:

- Provided 25.9 million passenger trips on Metro fixed route service.
- Provided 250,000 passenger trips on Access paratransit service.
- Launched the UC\*Metro program, funded by the University of Cincinnati and UC Student Government, that underwrites free fares for UC's 40,000 students and 10,000 faculty and staff members.
- Began offering customers the option of purchasing monthly bus passes online for home delivery. In its first year, this service has been averaging sales of 500 per month.
- Started the Bus On Shoulder Pilot program on I-71, using the left shoulder north and southbound when traffic conditions permit.

### **Future Projects**

Initiatives planned or undertaken in 2008 include:

- Taking delivery of 30 40-foot low-floor buses from New Flyer, including six diesel-electric hybrids.
- Moving Metro's headquarters to a location nearer its downtown transit hub and sales office.
- Launching free Internet wi-fi service on suburban commuter Rt. 71X as part of an advertising partnership with AT&T.
- Implementing a fare increase of \$.50 in Zones 1 and 2 to cover rising operating costs and declines in federal and state funding sources.
- Offering reciprocity between TANK and Metro to students of both the University of Cincinnati and Northern Kentucky University.
- Undertaking an outreach program called "grow\*Metro" to determine the transportation needs of the community and recommend service improvements such as neighborhood shuttles, overnight employment services and more crosstown routes to meet those needs.

We are also excited to report that in January 2008, the Everybody Rides Metro Foundation (described in Note 12 to the financial statements) was awarded two significant grants to provide fare assistance for low income riders to access job-related activities. The OKI Regional Council of Governments approved a two-year grant of \$718,000 from the FTA's Job Access/Reverse Commute program, and the Greater Cincinnati Foundation approved a two-year grant of \$200,000 in matching funds. Additional matching funds for this program were provided by the City of Cincinnati (\$250,000) and other not-for-profit partner agencies (\$268,000). Thus, a total of more than \$1.4 million in fare assistance will be made available over the next two years to transport low income individual to job-related activities they might not otherwise be able to access.

## **FINANCIAL INFORMATION**

### **Internal Control Structure**

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

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

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

### **Basis of Accounting**

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

### **Budgetary Controls**

The annual accrual-basis operating budget and capital budget are proposed by SORTA's management and adopted by the Board of Trustees in a public meeting. The annual budget is prepared using overall guidelines established after consideration of SORTA's long-range financial plan. All capital and operating items exceeding \$25,000 receive Board approval prior to purchase. The long-range plan, updated annually, projects revenue sources over the next five years and establishes service levels and growth commensurate with such revenue limits.

SORTA maintains budgetary control by not permitting total operating expenses and expenditures for individual capital projects to exceed their appropriations without approval by the Board of Trustees. Management ensures that expenses and capital expenditures stay within the total appropriation. On a monthly basis, the Board reviews budget variations. It is the responsibility of each department to administer its operations in such a manner as to ensure that the use of funds is consistent with the goals and programs authorized by the Board of Trustees.

### **Financial Operating Results**

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

### **Cash Management and Investments**

SORTA utilizes cash management and investment procedures which attempt to maximize the financial return (while minimizing risk of loss) on all available funds. Cash balances are invested within the constraints imposed by SORTA's investment policy and the Ohio Revised Code after obtaining competitive quotations. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The provisions also permit SORTA to invest its monies in certificates of deposit, savings accounts, money market accounts, the state treasurer's investment pool ("STAROhio"), and obligations of the United States government or certain agencies thereof. SORTA may also enter into repurchase agreements for a period not exceeding thirty days with banks located in the State of Ohio with which SORTA has signed a Master Repurchase Agreement.

Substantially all deposits and investments are either covered by Federal depository insurance, surety bonds, held by SORTA's agent in SORTA's name or covered by specific collateral held in SORTA's name.

### **Risk Management**

SORTA is self-insured for public liability and property damage claims. Claims are normally paid with SORTA's general operating revenues. The City Income Tax-Transit Fund has \$3 million of its balance restricted to satisfy potential catastrophic or extraordinary losses (in excess of \$100,000). SORTA, starting January 1, 1995, became self-insured for Worker's Compensation benefits. SORTA carries liability insurance to cover any claim in excess of \$400,000. 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.

Blanket insurance coverage is maintained for property and equipment. In addition, SORTA has insurance to protect against internal losses.

### **Diesel Fuel Hedging Program**

As described in Note 13 to the financial statements, SORTA has been using Energy Forward Pricing Mechanisms (EFPs) since August 2006 to hedge its diesel fuel consumption by actively managing a large portion of Metro's exposure to fuel price swings. The financial effects of this program in 2006 and 2007 are described in Note 13. However, the benefits of this program will be particularly evident in 2008. Most readers of these financial statements are very familiar with the

rapid increase in gasoline prices that has occurred so far in 2008 as of the date of this letter. This increase also affected diesel fuel prices and would normally result in a significant increase in SORTA's operating costs that would be difficult to absorb. The hedging program, however, has mitigated the impact of this increase. Gains from the program have lowered our effective fuel cost by approximately \$660,000, or 19.4%, through the first four months of the year. As of May 16, 2008, the program had unrealized gains of approximately \$5.8 million, which will be used to help offset increasing fuel costs for the rest of 2008 and into 2009. Although the market for diesel fuel is highly volatile, based on the best information available to SORTA management at this time, we anticipate that by the end of 2008 realized gains from the hedging program will have reduced Metro's diesel fuel costs by approximately \$3.5 million, or more than 25%, compared to what we would have expected to pay if the hedging program had not been in place.

## **OTHER INFORMATION**

### **Independent Audit**

SORTA's independent auditor, Clifton Gunderson LLP, has rendered an unqualified audit report on SORTA'S financial statements for the fiscal year ended December 31, 2007.

SORTA also participates in the Federal single audit program, which consists of a single audit of all Federally-funded programs administered by SORTA. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including SORTA. The single audit performed by Clifton Gunderson LLP met the requirements set forth by the State of Ohio and the Federal Single Audit Act of 1984 (as amended) and related OMB Circular A-133. The single audit report for the fiscal year ended December 31, 2007 contained no findings.

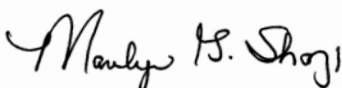
### **Certificate of Achievement Program**

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

### **Acknowledgments**

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

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



Marilyn G. Shazor  
CEO



H. Theodore Bergh  
Secretary/Treasurer & CFO

Southwest Ohio Regional Transit Authority

**Board of Trustees and Administration as of December 31, 2007**

**Members of the Board of Trustees**

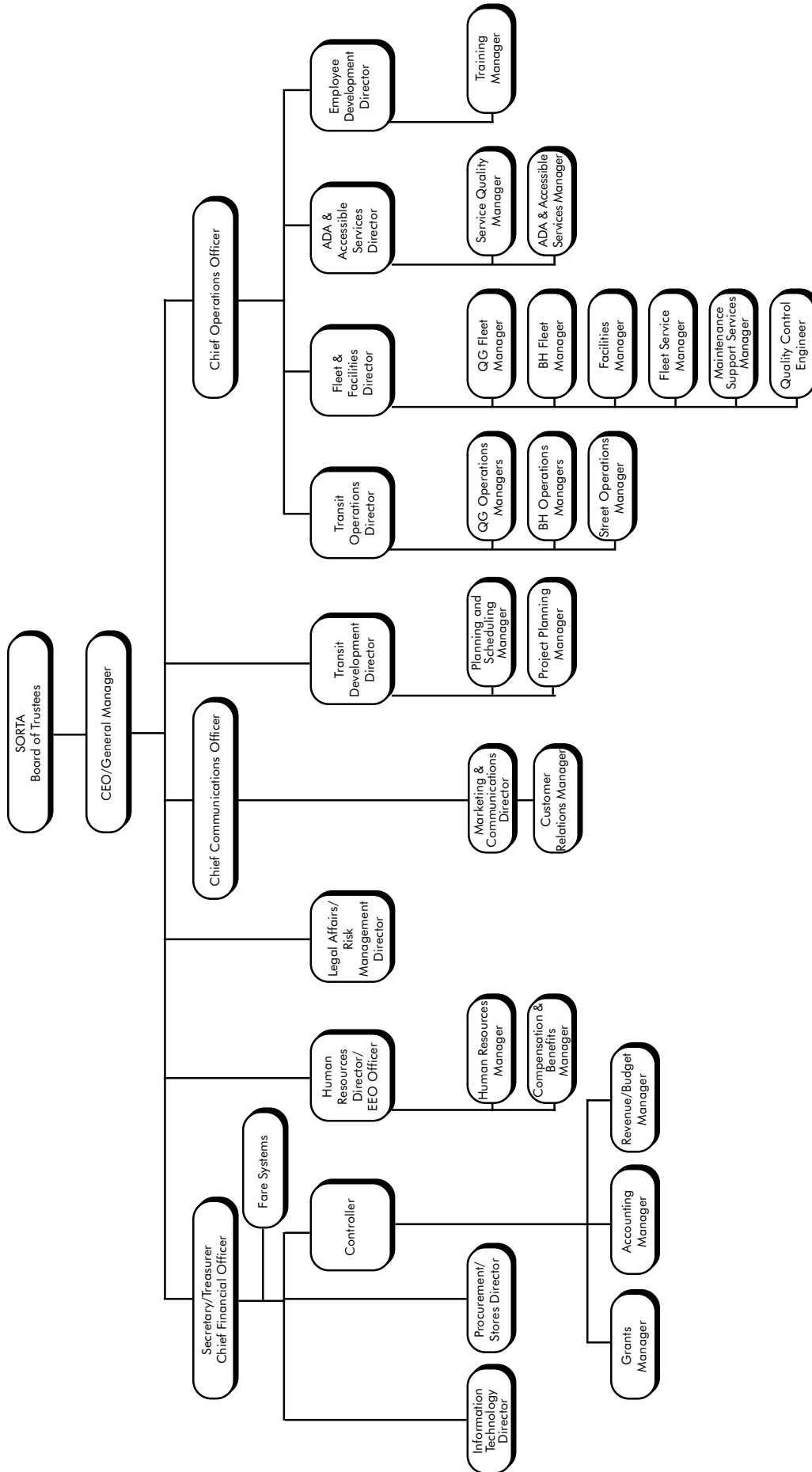
Melody Sawyer Richardson, Chair  
Robert W. Buechner  
Margaret C. Gutsell  
Stephan M. Louis  
William L. Mallory Sr.  
James R. Tarbell  
Lamont Taylor  
Two open positions

**Administration**

Michael H. Setzer, chief executive officer (CEO) & general manager  
Marilyn G. Shazor, chief operations officer (COO)  
H. Theodore Bergh, chief financial officer (CFO) & secretary/treasurer

Sallie L. Hilvers, chief information officer (CIO)  
Michael L. Brown, director, Fleet & Facilities  
William Desmond, director and counsel, Legal Affairs/Risk Management  
Dave Etienne, manager, Marketing and Communications  
Timothy Harrington, manager, Information Technology  
Mary Moning, director, Accessible Services  
Michael P. Restle, Controller  
Timothy J. Reynolds, director, Transit Development  
Jerry Roetting, manager, Procurement  
Janice Smith, director, Human Resources/EEO officer  
William R. Spraul, director, Transit Operations

Southwest Ohio Regional Transit Authority  
**Table of Organization**  
**December 31, 2007**



# 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, 2006

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director





## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

We have audited the accompanying balance sheets of the Southwest Ohio Regional Transit Authority (the "Authority") as of December 31, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 13, 2008 on our consideration of internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on pages 15-21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we do not express an opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, supplemental schedule of revenues, expenses, and changes in net assets - budget and actual (GAAP basis) for the year ended December 31, 2007, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedule of revenues, expenses, and changes in net assets - budget and actual (GAAP basis) for the year ended December 31, 2007 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Clifton Henderson LLP*

Toledo, Ohio

June 13, 2008

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis

The financial management of the Southwest Ohio Regional Transit Authority (the "Authority") is pleased to present readers of these financial statements with the following narrative overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2007. This discussion and analysis is designed to assist the reader in focusing on material financial issues and activities and to identify material changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### Financial Highlights

- Operating revenue for the year was \$19.7 million, which is \$171,000 less than last year due primarily to lower revenue from special transit service for community events such as Riverfest, Oktoberfest and the Tall Stacks riverboat festival.
- The Authority's operating expenses, excluding depreciation and before the grant pass through, increased by \$3.7 million. This 4.5% increase was due to higher fuel costs, increased usage of revenue vehicle parts, higher health care costs and wage increases.
- Revenue from federal maintenance grants increased by \$2.0 million to \$13.2 million in 2007 due to increased operating expenses, which necessitated an increase in the amount of federal grant funding allocated to preventative maintenance expenses.
- Investment income, including a net increase in the fair market value of investments, increased by \$0.5 million or 34.8% due to higher interest rates and improved portfolio performance.
- The Authority's total net assets decreased during the year by \$9.0 million primarily due to depreciation and amortization expense which exceeded capital additions for the year.

### Overview of Financial Statements

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

### Required Financial Statements

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

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

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

## Southwest Ohio Regional Transit Authority

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

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Notes to the Financial Statements**

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

**Financial Analysis of the Authority**

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

**Condensed Balance Sheets****December 31, 2007, 2006, and 2005 (In Thousands)**

	<b>2007</b>	<b>2006</b>	<b>2005</b>
Current assets	\$35,035	\$36,015	\$53,480
Non-current assets	9,168	6,286	3,719
Capital assets-net	71,561	80,559	74,277
<b>Total assets</b>	<u>\$115,764</u>	<u>\$122,860</u>	<u>\$131,476</u>
Current liabilities	\$21,541	\$22,992	\$40,534
Non-current liabilities	22,360	18,962	16,289
<b>Total liabilities</b>	<u>43,901</u>	<u>41,954</u>	<u>56,823</u>
Net assets:			
Invested in capital assets, net of related debt	61,561	70,559	55,640
Restricted	497	1,300	3,118
Unrestricted	9,805	9,047	15,895
<b>Total net assets</b>	<u>71,863</u>	<u>80,906</u>	<u>74,653</u>
<b>Total liabilities and net assets</b>	<u>\$115,764</u>	<u>\$122,860</u>	<u>\$131,476</u>

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis (continued)

The Authority's total net assets were \$71.9 million as of December 31, 2007, \$80.9 million as of December 31, 2006, and \$74.7 million as of December 31, 2005. The \$6.2 million increase in net assets in 2006 compared to 2005 was due to significant capital asset purchases, primarily the purchase of 40 Gillig buses and the rehabilitation of Government Square, which exceeded depreciation and amortization expense for the year. In 2007, net assets decreased by \$9.0 million as there were significantly fewer capital asset purchases; thus depreciation and amortization expense exceeded capital additions.

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

### Statement of Changes in Net Assets December 31, 2007, 2006, and 2005 (In Thousands)

	2007	2006	2005
<b>Operating revenues:</b>			
Passenger fares for transit service	\$18,560	\$18,664	\$18,088
Special transit fares	550	700	562
Auxiliary transportation revenue	547	464	459
Total	19,657	19,828	19,109
<b>Operating expenses other than depreciation:</b>			
Labor	38,491	37,245	35,409
Fringe benefits	19,328	18,352	17,256
Materials and supplies consumed	14,261	12,863	10,597
Services	3,039	3,053	2,755
Utilities	1,872	1,637	1,560
Casualty and liability	500	459	288
Taxes	1,053	1,059	995
Purchased transportation services	6,182	6,106	5,898
Leases and rentals	484	491	506
Miscellaneous	387	636	519
<b>Total</b>	85,597	81,901	75,783
Depreciation and amortization expense	12,051	11,489	10,606
Operating loss before grant pass through	(77,991)	(73,562)	(67,280)
Grant pass through-Anderson Township Park & Ride	0	350	0
<b>Operating loss</b>	(77,991)	(73,912)	(67,280)

## Southwest Ohio Regional Transit Authority

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

	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Net non-operating revenues (expenses):</b>			
Transit Fund assistance	41,304	40,491	36,935
Federal maintenance grants and reimbursements	13,179	11,216	11,421
State, ADA, special fare assistance and fuel tax reimbursements	2,172	2,297	1,340
Investment income	1,611	1,580	1,111
Net (decrease) increase in fair value of investments	412	(79)	(398)
Non-transportation revenue	667	705	668
Other	<u>6,595</u>	<u>5,863</u>	<u>5,596</u>
<b>Non-operating revenues and expenses, net before grant pass through</b>	<b>65,940</b>	<b>62,073</b>	<b>56,673</b>
Federal grant pass through- Anderson Park & Ride	<u>0</u>	<u>350</u>	<u>0</u>
Total	<u>65,940</u>	<u>62,423</u>	<u>56,673</u>
Net loss before capital grant activity	(12,051)	(11,489)	(10,607)
Capital Contributions	3,008	17,741	6,774
Change in net assets	<u>(9,043)</u>	<u>6,252</u>	<u>(3,833)</u>
Net assets, beginning of year	<u>80,906</u>	<u>74,654</u>	<u>78,487</u>
Net assets, end of year	<u><u>\$71,863</u></u>	<u><u>\$80,906</u></u>	<u><u>\$74,654</u></u>

The Authority's operating revenues were \$19.7 million in 2007, which is a \$0.1 million decrease from 2006 due to lower revenue from special transit fares. In 2006 special transit fares were unusually high due to the Tall Stacks event which occurs only once every four years. Operating revenues increased by \$0.7 million in 2006 compared to 2005 due to the full year impact of the fare increase implemented in February 2005, as well as the additional special transit fares from the Tall Stacks event.

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

Operating expenses in 2006 increased by \$6.1 million over 2005. This 8.1% increase was due to higher fuel costs, wage increases, higher fringe benefits (primarily health care, OPERS, and workers compensation) and higher contract costs for the Access paratransit operation. The grant pass through for the Anderson Township Park & Ride in 2006 also contributed to the higher operating expenses.

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis (continued)

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

In 2006 non-operating revenues were \$62.4 million, which is a \$5.7 million increase over 2005. A number of factors contributed to this increase, including a \$3.6 million increase in Transit Fund income, a \$0.7 million increase due to the use of state formula grants to offset a portion of the contract costs for the Access paratransit operation, a \$0.8 million improvement from higher investment income including the change in fair value of investments, and the \$0.3 million pass through grant for the Anderson Township Park & Ride.

### Statement of Cash Flows

December 31, 2007, 2006, and 2005 (In Thousands)

	2007	2006	2005
<b>Cash flows from operating activities:</b>			
Receipts from fares and special service	\$20,019	\$19,706	\$18,919
Payments for labor, employee benefits, claims, insurance and to suppliers	<u>(83,446)</u>	<u>(81,955)</u>	<u>(75,155)</u>
<b>Net cash used in operating activities</b>	<u>(63,427)</u>	<u>(62,249)</u>	<u>(56,236)</u>
<b>Cash flow from noncapital financing activities:</b>			
Transfer from City of Cincinnati Income Tax-Transit Fund	40,115	40,587	36,402
Federal, State, and other local assistance and reimbursements	<u>22,029</u>	<u>21,419</u>	<u>19,347</u>
<b>Net cash provided by noncapital financing activities</b>	<u>62,144</u>	<u>62,006</u>	<u>55,749</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital grants received:			
City of Cincinnati, federal, state and other local	4,583	14,190	6,930
Additions to capital assets	(3,161)	(17,986)	(6,837)
Payments on capital lease obligation	0	(8,636)	0
Interest paid on capital lease obligations	<u>(418)</u>	<u>(834)</u>	<u>(834)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>1,004</u>	<u>(13,266)</u>	<u>(741)</u>

## Southwest Ohio Regional Transit Authority

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

	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Cash flows from investing activities:</b>			
Net cash receipts from investment securities	<u>2,918</u>	<u>31,690</u>	<u>3,553</u>
<b>Net cash provided by investing activities</b>	<u>2,918</u>	<u>31,690</u>	<u>3,553</u>
<b>Net change in cash and equivalents</b>	2,639	18,181	2,325
<b>Cash and cash equivalents at beginning of year</b>	<u>24,199</u>	<u>6,018</u>	<u>3,693</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$26,838</u>	<u>\$24,199</u>	<u>\$6,018</u>

The Authority's cash and cash equivalents balance increased by \$2.6 million, or 10.9%, in 2007 to \$26.8 million as of December 31, 2007. This increase is a result of cash flows from investing activities and financing activities (both capital and non-capital) exceeding the amount of cash used for operating activities in 2007. Net cash used for operating activities in 2007 was \$63.4 million, which is an increase of \$1.2 million compared to 2006, due to higher wages and benefits payments, increased fuel costs, and increased spending on revenue vehicle parts. Net cash provided by non-capital financing activities in 2007 was \$62.1 million, which is not significantly different than in 2006. Net cash provided by capital and related financing activities in 2007 was \$1.0 million, which is an increase of \$14.3 million compared to 2006, as the cash outflows for capital expenditures and retirement of the capital lease obligation in 2006 exceeded the federal and local capital grant proceeds received during the year due to timing. Net cash provided by investing activities decreased by \$28.8 million in 2007 compared to 2006, as the cash provided by investing activities in 2006 was unusually high due to the retirement of \$8.6 million in capital lease obligations and a shift in funds out of government bonds (which are reported as investments) into certificates of deposit (which are reported as cash equivalents) due to higher interest rates.

Net cash used for operating activities in 2006 increased \$6.0 million compared to 2005, due to higher fuel costs, wage increases, higher benefit costs (primarily health care, OPERS, and workers compensation), and higher contract costs for the Access paratransit operation. Net cash provided by non-capital financing activities increased \$6.3 million due to an increase in cash from the City Transit Fund of \$4.2 million and \$2.1 million from federal, state, and other local assistance and reimbursements. Net cash used for capital and related financing activities increased \$12.5 million due to an increase in capital additions of \$11.1 million and an \$8.6 million payment on capital lease obligations which were partially offset by an increase in grants received from federal, state and local resources of \$7.3 million.

**Capital Asset and Debt Administration**

**Capital Assets:** The Authority's investment in capital assets amounts to \$71.6 million, net of accumulated depreciation as of December 31, 2007, which is a decrease of \$9.0 million, or 11.2%, compared to 2006. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital asset expenditures during 2007 include the following:



Southwest Ohio Regional Transit Authority

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

- Purchase of 15 paratransit vehicles totaling \$1.0 million;
- Purchase of the Trapeze scheduling and timekeeping software system, totaling \$0.5 million;
- Structural repairs to two bridges on the Oasis Line rail right of way, totaling \$0.4 million;
- Purchase and installation of video surveillance cameras on our fleet of paratransit buses totaling \$0.3 million;
- Purchase of new bus washing equipment for our Bond Hill facility at a cost of \$0.3 million.

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

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

## Southwest Ohio Regional Transit Authority

**Balance Sheets**  
**as of December 31, 2007 and 2006**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$17,670,343	\$17,912,758
Investments (Note 4)	9,804,502	10,281,569
Receivables:		
Federal assistance	3,850,580	3,753,172
State assistance	644,761	825,392
Other	1,238,169	1,489,297
Receivables for capital assistance-restricted	166,750	233,367
Inventory of materials and supplies	1,443,285	1,345,594
Prepaid expenses and other current assets	<u>217,107</u>	<u>173,621</u>
<b>Total current assets</b>	<u>35,035,497</u>	<u>36,014,770</u>
<b>Non-current assets:</b>		
Cash and cash equivalents-restricted (Note 4)	9,168,062	6,286,226
Capital assets (Notes 5 and 7):		
Land and buildings	14,669,474	14,669,474
Improvements	25,399,978	24,790,043
Revenue vehicles	106,288,526	105,315,981
Other equipment	<u>28,040,959</u>	<u>28,110,156</u>
Total capital assets	174,398,937	172,885,654
Less allowance for depreciation and amortization	<u>102,838,015</u>	<u>92,326,583</u>
Capital assets-net	<u>71,560,922</u>	<u>80,559,071</u>
<b>Total non-current assets</b>	<u>80,728,984</u>	<u>86,845,297</u>
<b>Total assets</b>	<u><u>\$115,764,481</u></u>	<u><u>\$122,860,067</u></u>

(continued)

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

Southwest Ohio Regional Transit Authority

**Balance Sheets**  
**as of December 31, 2007 and 2006 (continued)**

<b>LIABILITIES AND NET ASSETS</b>	<b>2007</b>	<b>2006</b>
<b>Current liabilities:</b>		
Accounts payable	\$1,661,697	\$1,502,112
Capital expenditures payable	149,663	916,532
Accrued payroll	1,614,208	1,459,116
Accrued payroll taxes and other benefits (Note 8)	4,066,341	3,459,608
Current portion of estimated claims payable (Note 9)	955,000	890,000
Other current liabilities	2,790,891	1,120,598
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3):		
For current operations	748,293	1,937,980
For capital purposes	<u>9,554,979</u>	<u>11,705,906</u>
<b>Total current liabilities</b>	<u>21,541,072</u>	<u>22,991,852</u>
<b>Non-current liabilities:</b>		
Deferred capital grants	8,838,220	5,219,985
Estimated claims payable, net of current portion (Note 9)	3,464,594	3,658,001
Capital lease obligation (Note 7)	10,000,000	10,000,000
Accrued pension cost (Note 8)	<u>57,684</u>	<u>84,229</u>
<b>Total non-current liabilities</b>	<u>22,360,498</u>	<u>18,962,215</u>
<b>Total liabilities</b>	<u>43,901,570</u>	<u>41,954,067</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	61,560,922	70,559,071
Restricted	496,592	1,299,608
Unrestricted	<u>9,805,397</u>	<u>9,047,321</u>
<b>Total net assets</b>	<u>71,862,911</u>	<u>80,906,000</u>
<b>Total liabilities and net assets</b>	<u>\$115,764,481</u>	<u>\$122,860,067</u>

(concluded)

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

## Southwest Ohio Regional Transit Authority

### Statements of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2007 and 2006

	2007	2006
<b>Operating revenues</b>		
Passenger fares for transit service	18,559,763	\$18,664,360
Special transit fares	550,462	700,317
Auxiliary transportation revenue	<u>546,844</u>	<u>464,346</u>
<b>Total</b>	<u>19,657,069</u>	<u>19,829,023</u>
<b>Operating expenses other than depreciation:</b>		
Labor	38,491,329	37,244,768
Fringe benefits	19,328,349	18,351,801
Materials and supplies consumed	14,261,474	12,862,569
Services	3,038,637	3,053,286
Utilities	1,871,797	1,637,558
Casualty and liability	500,462	459,269
Taxes	1,052,861	1,058,772
Purchased transportation services	6,182,081	6,105,634
Leases and rentals	483,834	491,471
Miscellaneous	<u>386,700</u>	<u>636,195</u>
<b>Total</b>	<u>85,597,524</u>	<u>81,901,323</u>
Grant pass-through—Anderson Twp. Park & Ride	—	350,000
Depreciation and amortization (Note 5)	<u>12,051,254</u>	<u>11,489,164</u>
Total operating expenses	<u>97,648,778</u>	<u>93,740,487</u>
<b>Operating loss</b>	<u>(77,991,709)</u>	<u>(73,911,464)</u>
<b>Non-operating revenues (expenses):</b>		
Federal maintenance grants and reimbursements (Note 6)	13,178,726	11,215,450
Federal grant pass-through—Anderson Twp. Park & Ride (Note 6)	—	350,000
State maintenance grants, reimbursements and special fare assistance (Note 6)	2,172,258	2,296,710
Local operating grants and special fare assistance (Note 6)	6,595,036	5,862,487
Investment income-net (Notes 4 and 7)	1,611,121	1,580,263
Increase (decrease) in fair value of investments	412,203	(79,341)
Non-transportation revenue	<u>666,877</u>	<u>705,906</u>
<b>Total</b>	<u>24,636,221</u>	<u>21,931,475</u>

(continued)

Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Net Assets  
for the years ended December 31, 2007 and 2006 (continued)**

	2007	2006
<b>Loss before operating assistance provided by City of Cincinnati Income Tax-Transit Fund and capital grant activity</b>	\$(53,355,488)	\$(51,979,989)
<b>Operating assistance from the City of Cincinnati Income Tax-Transit Fund (Note 3)</b>	<u>41,304,234</u>	<u>40,490,825</u>
<b>Net loss before capital grant activity</b>	(12,051,254)	(11,489,164)
<b>Capital grant revenue (Note 6)</b>	<u>3,008,165</u>	<u>17,741,493</u>
<b>Increase (decrease) in net assets during the year</b>	(9,043,089)	6,252,329
<b>Net assets, beginning of year</b>	<u>80,906,000</u>	<u>74,653,671</u>
<b>Net assets, end of year</b>	<u>\$71,862,911</u>	<u>\$80,906,000</u>

(concluded)

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

Southwest Ohio Regional Transit Authority

## Statements of Cash Flows for the years ended December 31, 2007 and 2006

	2007	2006
<b>Cash flows from operating activities:</b>		
Receipts from fares and special service	\$20,019,104	\$19,706,432
Payments to suppliers	(24,792,465)	(24,687,172)
Payments for labor and employee benefits	(57,193,023)	(56,064,909)
Payments for claims and insurance	<u>(1,460,740)</u>	<u>(1,203,293)</u>
<b>Net cash used in operating activities</b>	<u>(63,427,124)</u>	<u>(62,248,942)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfer from City of Cincinnati Income Tax-Transit Fund	40,114,547	40,587,112
Federal maintenance grants and reimbursements	13,081,318	13,972,104
State maintenance grants, reimbursements and special fare assistance	2,352,889	1,584,204
Other local operating assistance received	<u>6,595,036</u>	<u>5,862,487</u>
<b>Net cash provided by noncapital financing activities</b>	<u>62,143,790</u>	<u>62,005,907</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital grants received:		
City of Cincinnati Income Tax-Transit Fund	3,699,253	1,363,028
Federal, state and other local	883,925	12,827,456
Additions to capital assets	(3,160,810)	(17,986,491)
Payments of capital lease obligation	—	(8,636,360)
Interest paid on capital lease obligation	<u>(418,000)</u>	<u>(833,925)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>1,004,368</u>	<u>(13,266,292)</u>
<b>Cash flows from investing activities:</b>		
Net cash receipts from investment securities	889,270	29,579,691
Interest received	<u>2,029,117</u>	<u>2,110,329</u>
<b>Net cash provided by investing activities</b>	<u>2,918,387</u>	<u>31,690,020</u>
<b>Net increase in cash and cash equivalents</b>	2,639,421	18,180,693
<b>Cash and cash equivalents at beginning of year</b>	<u>24,198,984</u>	<u>6,018,291</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$26,838,405</u>	<u>\$24,198,984</u>

(continued)

Southwest Ohio Regional Transit Authority

**Statements of Cash Flows**  
**for the years ended December 31, 2007 and 2006 (continued)**

	2007	2006
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$(77,991,709)	\$(73,911,464)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and Amortization	12,051,254	11,489,164
Non-transportation revenue	666,877	705,906
Changes in assets and liabilities:		
Other receivables	251,128	(143,898)
Restricted - receivables for capital assistance	66,617	1,892,434
Inventory of materials and supplies	(97,691)	(17,455)
Prepaid expenses and other current assets	(43,486)	638
Accounts payable	159,585	(93,971)
Capital expenditures payable	(766,869)	(1,733,706)
Accrued expenses	(761,825)	(689,559)
Other liabilities	1,643,752	(79,688)
Estimated Claims payable	<u>(128,407)</u>	<u>332,657</u>
<b>Net cash used in operating activities</b>	<b><u>\$(63,427,124)</u></b>	<b><u>\$(62,248,942)</u></b>

(concluded)

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

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2007 and 2006**

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

#### **A. Organization**

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

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

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

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

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

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

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

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



Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)**

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

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

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

### **C. Nonexchange Transactions**

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

### **D. Passenger Fares**

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

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

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets and SORTA's investment in the State Treasury Asset Reserve of Ohio ("STAROhio")) with a maturity of three months or less when purchased, certificates of deposit, and commercial paper investments to be cash equivalents.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2007 and 2006 (continued)**

**F. Investments**

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

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

**G. Inventory of Materials and Supplies**

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

**H. Restricted Assets**

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

**I. Capital Assets and Depreciation**

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

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

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

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

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)**

### **J. Claims**

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

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

### **K. Compensated Absences**

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

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

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

The Authority maintains budgetary control by not permitting total operating expenses (excluding depreciation and amortization) and expenditures for individual capital projects to exceed revenue sources without approval by the Board of Trustees. No budget amendments were passed for 2007 and 2006. All budget amounts lapse at year end.

### **M. Estimates**

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

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

The Authority considers passenger fares, special transit fares and bus advertising revenues as operating revenues. Non-operating revenues are subsidies received from federal, state, and local sources. Expenses incurred for the daily operations of the transit system are considered operating expenses.

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)**

### **O. Reclassifications**

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

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

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

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

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

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

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)

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, 2007 and 2006, the Authority maintained restricted cash and cash equivalents of \$9,168,062 and \$6,286,226, respectively, and unrestricted cash and investments of \$27,474,845 and \$28,194,327, respectively. The total cash and investments of \$36,642,907 and \$34,480,553, respectively, consisted of \$15,066,374 and \$17,908,845, respectively, in deposits and \$21,576,533 and \$16,571,708, respectively, in investments.

### Deposits

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

At December 31, 2007 and 2006, the carrying amount of the Authority's deposits was \$15,066,374 and \$17,908,845, respectively, and the bank balance was \$15,994,962 and \$18,433,772, 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, 2007 and 2006, the fair value of the Authority's investments were as follows:

	2007	2006
U.S. Agency bonds	\$18,972,564	\$16,567,795
Star Treasury Reserve of Ohio (STAROhio)	<u>2,603,969</u>	<u>3,913</u>
Total investments	<u>\$21,576,533</u>	<u>\$16,571,708</u>

## Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)

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

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

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

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

Investments held by the Authority at December 31, 2006 are presented below, categorized by the investment type and credit quality rating. Credit quality ratings provide information about the investments' credit risk, which is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. No deposits were subject to custodial credit risk.

Investment Type	Fair Value	Not Rated	AAA	AA,A and BBB	Below BBB
U.S. Agency bonds	\$16,567,795		\$16,567,795		
Star Treasury Reserve of Ohio (STAROhio)	3,913		3,913		
<b>Total Investments</b>	<b>\$16,571,708</b>	<b>\$0</b>	<b>\$16,571,708</b>	<b>\$0</b>	<b>\$0</b>

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

Investment Type	Fair Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Agency bonds	\$16,567,795	\$0	\$16,567,795	\$0	\$0
<b>Total Bonds</b>	<b>\$16,567,795</b>	<b>\$0</b>	<b>\$16,567,795</b>	<b>\$0</b>	<b>\$0</b>

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2007 and 2006 (continued)**

**5. Capital Assets**

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

	Balance January 1, 2007	Additions	Deletions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$13,162,958	_____	_____	\$13,162,958
Total capital assets not being depreciated	<u>13,162,958</u>	<u>—</u>	<u>—</u>	<u>13,162,958</u>
Capital assets being depreciated:				
Buildings	1,506,516			1,506,516
Improvements	24,790,043	\$696,042	\$86,106	25,399,978
Revenue vehicles	105,315,981	1,027,725	55,180	106,288,526
Other equipment	<u>28,110,156</u>	<u>1,437,043</u>	<u>1,506,241</u>	<u>28,040,959</u>
Total capital assets being depreciated	<u>159,722,696</u>	<u>3,160,810</u>	<u>1,647,527</u>	<u>161,235,979</u>
Less accumulated depreciation:				
Buildings	271,188	36,681		307,869
Improvements	6,623,180	1,627,100		8,250,280
Revenue vehicles	63,743,508	7,974,292	55,180	71,662,620
Other equipment	<u>21,688,707</u>	<u>2,413,181</u>	<u>1,484,642</u>	<u>22,617,246</u>
Total accumulated depreciation	<u>92,326,583</u>	<u>12,051,254</u>	<u>1,539,822</u>	<u>102,838,015</u>
Total capital assets being depreciated, net	<u>67,396,113</u>	<u>(8,890,444)</u>	<u>107,705</u>	<u>58,397,964</u>
Total capital assets, net	<u>\$80,559,071</u>	<u>(\$8,890,444)</u>	<u>\$107,705</u>	<u>\$71,560,922</u>

## Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Capital assets not being depreciated:				
Land	\$13,175,410	_____	\$12,452	\$13,162,958
Total capital assets not being depreciated	<u>13,175,410</u>	<u>—</u>	<u>12,452</u>	<u>13,162,958</u>
Capital assets being depreciated:				
Buildings	1,506,516			1,506,516
Improvements	19,961,669	\$4,855,907	27,533	24,790,043
Revenue vehicles	98,481,847	12,123,890	5,289,756	105,315,981
Other equipment	<u>27,678,367</u>	<u>1,006,694</u>	<u>574,905</u>	<u>28,110,156</u>
Total capital assets being depreciated	<u>147,628,399</u>	<u>17,986,491</u>	<u>5,892,194</u>	<u>159,722,696</u>
Less accumulated depreciation:				
Buildings	234,507	36,681		271,188
Improvements	5,321,515	1,329,198	27,533	6,623,180
Revenue vehicles	61,445,000	7,588,264	5,289,756	63,743,508
Other equipment	<u>19,526,404</u>	<u>2,535,021</u>	<u>372,718</u>	<u>21,688,707</u>
Total accumulated depreciation	<u>86,527,426</u>	<u>11,489,164</u>	<u>5,590,007</u>	<u>92,326,583</u>
Total capital assets being depreciated, net	<u>61,100,973</u>	<u>6,497,327</u>	<u>202,187</u>	<u>67,396,113</u>
Total capital assets, net	<u>\$74,276,383</u>	<u>\$6,497,327</u>	<u>\$214,639</u>	<u>\$80,559,071</u>

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

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

If the assets not conveyed by the City in 1986 (real estate, construction projects, and certain other assets having an estimated aggregate historical cost of approximately \$28.3 million at December 31, 2007) had been owned by SORTA, the provision for depreciation for the years ended December 31, 2007 and 2006 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, 2007 and 2006 (continued)

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

Grants, reimbursements, and special fare assistance included in the Statements of Revenues, Expenses and Changes in Net Assets for the years ended December 31, 2007 and 2006 consist of the following:

	2007	2006
<b>Non-operating revenues:</b>		
<b>Federal:</b>		
FTA-Maintenance and other assistance	<u>\$13,178,726</u>	<u>\$11,215,450</u>
FTA-grant pass-through—Anderson Twp. Park & Ride	<u>—</u>	<u>\$350,000</u>
<b>State:</b>		
ODOT-Fuel tax reimbursement	\$1,005,787	\$1,013,747
ODOT-Elderly and handicapped grant	513,804	441,344
ODOT-Maintenance and other assistance	<u>652,667</u>	<u>841,619</u>
Total	<u>\$2,172,258</u>	<u>\$2,296,710</u>
<b>Local:</b>		
Cincinnati Board of Education Contract	\$5,664,198	\$5,037,092
Hamilton County	382,379	395,667
Warren County	35,930	37,656
Deerfield Township	33,127	34,719
City of Mason	33,127	34,718
Other	<u>446,275</u>	<u>322,635</u>
Total	<u>\$6,595,036</u>	<u>\$5,862,487</u>
<b>Capital grant revenue:</b>		
Federal	\$918,022	\$12,247,890
State	345,517	845,345
Local	<u>1,744,626</u>	<u>4,648,258</u>
Total	<u>\$3,008,165</u>	<u>\$17,741,493</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 \$297,000 in 2007 and \$282,000 in 2006.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2007 and 2006 (continued)**

At December 31, 2007, the minimum future payments under leases with terms extending beyond one year are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$333,521
2009	134,522
2010	138,557
2011	142,714
2012	146,995
Thereafter	<u>1,485,272</u>
Total	<u>\$2,381,582</u>

SORTA also leases 38 revenue vehicles under a master lease-purchase agreement with a local financial institution. Based on the terms of the agreement, it has been classified as a capital lease. The capitalized cost and accumulated amortization recorded for these vehicles amounted to \$10,000,000 and \$4,583,999, respectively, at December 31, 2007.

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

<u>Year</u>	<u>Amount</u>
2008	\$418,000
2009	418,000
2010	418,000
2011	<u>10,209,000</u>
Total minimum lease payments	11,463,000
Less amount representing interest	<u>1,463,000</u>
Present value of net minimum lease payments	10,000,000
Less amount due in 2008	<u>—</u>
Amount due after 2008	<u>\$10,000,000</u>

During the years ended December 31, 2007 and 2006, the Authority recognized \$417,996 and \$530,066, respectively, of interest expense under its capital leases.

**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

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)

provided by State statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements and required supplementary information. The financial report may be obtained by making a written request to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222 PERS (7377).

OPERS administers three separate pension plans as described below:

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

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

**Funding Policy.** The Ohio Revised Code provides statutory authority for employee and employer contributions. In 2007, employees other than law enforcement personnel were required to contribute 9.5% (9.0% in 2006) of their covered payroll to OPERS. The 2007 and 2006 employer contribution rates for local government employer units were 13.85% and 13.70%, respectively, of covered payroll including 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007 and 4.5% in 2006, 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, 2007, 2006 and 2005 were \$3,480,000, \$3,697,000, and \$3,637,000, respectively, equal to 100% of the required contribution for each year.

### B. Private Pension Plans

**Plan Description.** Certain retirees (14 at January 1, 2008) continue to participate in the private pension plans which originated under the privately owned transit system (Cincinnati Transit, Inc.) acquired by the City in 1973. SORTA administers these single-employer, defined benefit pension plans and is reimbursed by the City for the costs of the plans (Note 3). The pension costs of the private plans are expected to decline in future years. The private pension plans do not issue stand-alone financial reports.

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)

**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, 2007, 2006 and 2005 were determined using the unit credit actuarial cost method as follows:

	2007	2006	2005
Annual required contribution	—	—	—
Interest on net pension obligation	—	—	—
Actuarial adjustment to net pension obligation	\$(8,006)	—	\$(8,631)
Annual pension cost	<u>(8,006)</u>	<u>—</u>	<u>(8,631)</u>
Contribution/benefit payments made	<u>(18,539)</u>	<u>\$(23,979)</u>	<u>(30,258)</u>
Decrease in net pension obligation	(26,545)	(23,979)	(38,889)
Net pension obligation beginning of year	<u>84,229</u>	<u>108,208</u>	<u>147,097</u>
Net pension obligation end of year	<u>\$57,684</u>	<u>\$84,229</u>	<u>\$108,208</u>

The net pension obligation was actuarially determined using a mortality assumption obtained from the Unisex Pension Table for 1994 and the 2007 and 2006 amounts are recognized as non-current liabilities on the accompanying balance sheets. Because future benefit increases are not assured and are not expected to be material, this factor was not considered in the determination of the net pension obligation and annual pension cost.

### C. Other Postemployment Benefits

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

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. For the Authority, 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007 of covered payroll were the portions of the 13.85% total contribution rate for 2007 that was used to fund health care, and 4.5% of covered payroll

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)

was the portion of the 13.70% total contribution rate for 2006 that was used to fund health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS.

The assumptions and calculations noted below were based on OPERS' latest actuarial review performed as of December 31, 2006. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The assumed rate of return on investments for 2006 was 6.5%. An annual increase of 4.0%, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.5% to 5% for the next eight years. In subsequent years (nine and beyond) health care costs were assumed to increase at 4% (the projected wage inflation rate).

OPEB provided through OPERS are advance-funded on an actuarially determined basis. The total number of active contributing participants in the TP and CO Plans was 374,979 and 362,130 at December 31, 2007 and 2006, respectively. The Authority's contributions to OPERS for other post-employment benefits for the years ended December 31, 2007 and 2006 were \$2,293,000 and \$1,808,000, respectively, equal to 100% of the required contributions for each year. The actuarial value of OPERS' net assets available for OPEB at December 31, 2006 was \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care fund in 2005 by creating a separate investment pool for health care assets. As an additional component of the HCPP, member and employer contribution rates increased as of January 1, 2007 and January 1, 2006, which will allow additional funds to be allocated to the health care plan.

**Other Benefits Provided.** In addition to the other postemployment benefits provided by OPERS, SORTA also provides postemployment health care benefits to former employees of Cincinnati Transit, Inc., who do not qualify for OPERS health care benefits, and a \$1,500 life insurance benefit to each retired hourly employee. The life insurance benefits are provided through group insurance arrangements which are funded by SORTA through payment of monthly insurance premiums. The health care benefits were previously provided by group insurance arrangements which were funded by SORTA through payment of monthly insurance premiums. Effective March 1, 1997, SORTA became self-insured for such health care benefits. As of December 31, 2007, 1 individual was receiving health care benefits and 439 individuals were eligible to receive life insurance benefits.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2007 and 2006 (continued)**

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

	<u>2007</u>	<u>2006</u>
Health care benefits	\$952	\$2,120
Life insurance benefits	\$342,798	\$338,711

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

These liabilities were determined based on the following assumptions:

	2007	2006
Medical inflation assumptions	**	**
Future annual increases in life insurance premiums	2.00%	2.00%
Remaining life expectancy*	Individually Determined	
Medical	14.6 yrs.	
Life	14.6 yrs.	14.6 yrs.
Interest factor	6.00%	6.00%

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

\*\*No medical inflation.

The total expense recognized by the Authority for postemployment benefits not provided under OPERS was approximately \$28,000 and \$45,000 for the years ended December 31, 2007 and 2006, 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.

Southwest Ohio Regional Transit Authority

## Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (continued)

Employee health care benefits are provided under a group insurance arrangement, and on January 1, 1995, the Authority became self-insured for workers' compensation benefits. Prior to 1995, SORTA was insured through the State of Ohio for workers' compensation benefits. The State of Ohio Bureau of Workers' Compensation continues to be liable for all claims prior to January 1, 1995. As shown below, the estimated amount due for workers' compensation claims is included in the accrual for estimated claims payable. SORTA carries liability insurance to cover any workers' compensation claim in excess of \$250,000 through December 31, 2001, \$350,000 through December 31, 2002, and \$400,000 thereafter. The workers' compensation liability includes an amount for claims that may have been incurred but not reported. The claims liability has been calculated on an actuarial basis considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic factors. The present value of the workers' compensation liability is calculated using an interest rate of 3.4%.

The changes in the liabilities for self-insured risks for the years ended December 31, 2007, 2006 and 2005 are as follows:

	Workers' Compensation	Public Liability and Property Damage	Total
Balance, January 1, 2005	\$3,712,293	\$479,063	\$4,191,356
Claims, net of changes in estimates	840,568	335,712	1,176,280
Payments	<u>(783,552)</u>	<u>(368,740)</u>	<u>(1,152,292)</u>
Balance, December 31, 2005	3,769,309	446,035	4,215,344
Claims, net of changes in estimates	1,045,222	490,728	1,535,950
Payments	<u>(824,003)</u>	<u>(379,290)</u>	<u>(1,203,293)</u>
Balance, December 31, 2006	3,990,528	557,473	4,548,001
Claims, net of changes in estimates	749,322	583,011	1,332,333
Payments	<u>(884,492)</u>	<u>(576,248)</u>	<u>(1,460,740)</u>
Balance, December 31, 2007	<u>\$3,855,358</u>	<u>\$564,236</u>	<u>\$4,419,594</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. At December 31, 2007, SORTA had been named in various public liability and property damage claims and suits, some of which seek significant damages. The ultimate

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
for the years ended December 31, 2007 and 2006 (continued)**

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, 2007, there were no questioned costs that had not been resolved with appropriate federal and state agencies. Questioned costs could still be identified during audits to be conducted in the future. In the opinion of SORTA's management, no material grant expenditures will be disallowed.

**11. New Accounting Pronouncements**

During August 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Statement No. 45 will not be effective for SORTA until the year ended December 31, 2008, and as such, the Authority has not determined the impact that this statement will have on its financial statements.

**12. Everybody Rides Metro**

In 2006, the Authority formed "Everybody Rides Metro", a charitable foundation authorized under section 501(c)3 of the Internal Revenue Code and registered in Ohio and Kentucky. The foundation was formed to supply bus rides to low income Metro riders. Contributions are solicited from the public at the web site [www.Everybodyridesmetro.org](http://www.Everybodyridesmetro.org), via mail, from Metro employees and through grants from other organizations. The foundation meets the criteria under GASB 14, "Discretely Component Unit", but since the assets, (\$42,502) and revenue (\$42,950) are immaterial to the Authority's basic financial statements, "Everybody Rides Metro" financial information is not presented in these financial statements.

**13. Energy Forward Pricing Mechanisms**

Pursuant to Attorney General Opinion No.89-080 dated October 16, 1989, SORTA may enter into forward pricing mechanisms (e.g., commodity-type futures, options, contracts, etc.) as a budget risk reduction tool to manage price variability and cost/budget uncertainty associated with the purchase of Authority-consumed energy (e.g., diesel fuel). Since May 2006,



Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements for the years ended December 31, 2007 and 2006 (concluded)**

SORTA has hedged its diesel consumption (approximately 3.6 million gallons per year) with Energy Forward Pricing Mechanisms (EFPM). This program's objective is to manage a large portion of Metro's exposure to fuel price swings. EFPMs may be comprised of any single or combined use of futures, options, options on futures, or fixed price delivery contracts.

In 2007 and 2006, heating oil #2 futures contracts (contracts) and fixed-price supply contracts were utilized. The SORTA Board approval limits contracts in-place to ninety percent of consumption expected in any one month. The initial value of each contract is zero. The price of diesel fuel purchased any day is the published Cincinnati rack price for the prior day plus or minus a differential agreed to through a competitive bidding process. The differential to the published Cincinnati rack price was \$.004 per gallon at December 31, 2007 and 2006. 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, 2007 and 2006, losses of \$63,966 (1.86 cents per gallon) and \$225,406 (7.09 cents per gallon), respectively, were recognized as an increase in diesel fuel expense. On December 31, 2007 and 2006, the remaining open contracts had \$1,295,456 of unrealized gain and \$607,118 of unrealized loss, respectively. There is no debt associated with these contracts and unrealized losses are fully funded.

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

### **14. Subsequent Events**

Effective February 3, 2008, SORTA instituted a fare increase which is projected to increase passenger revenue by approximately \$5.8 million annually, based on estimated ridership levels and mix of fare media sold.

In January 2008, SORTA and the Amalgamated Transit Union agreed to a new three-year contract effective February 1, 2008 through January 31, 2011. This agreement includes increases in base wage rates of 3.0% in 2008, 3.2% in 2009 and 3.5% in 2010. Increases in other benefits are not expected to have a material effect on SORTA's financial statements. The agreement also includes the implementation of a new health care plan design, which replaced the HMO plan with a high-deductible plan and individual health savings accounts. This new plan design is expected to result in significant savings to help offset the impact of the wage increases, as well as mitigate anticipated double-digit increases in health care costs in future years.

Southwest Ohio Regional Transit Authority

**Supplemental Schedule of Revenues, Expenses and Changes in Net Assets—  
Budget and Actual (GAAP Basis)  
for the year ended December 31, 2007**

	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b>Variance Positive (Negative)</b>
<b>Operating revenues</b>	\$22,348,214	\$19,657,069	\$(2,691,145)
<b>Operating expenses other than depreciation and amortization:</b>			
Labor	38,500,427	38,491,329	9,098
Fringe benefits	19,668,701	19,328,349	340,352
Materials and supplies consumed	13,909,777	14,261,474	(351,697)
Services	3,128,539	3,038,637	89,902
Utilities	1,599,628	1,871,797	(272,169)
Casualty and liability	370,772	500,462	(129,690)
Taxes	1,049,164	1,052,861	(3,697)
Purchased transportation services	6,389,882	6,182,081	207,801
Leases and rentals	431,382	483,834	(52,452)
Miscellaneous	548,964	386,700	162,264
<b>Total</b>	<u>85,597,236</u>	<u>85,597,524</u>	<u>(288)</u>
<b>Depreciation and amortization</b>	<u>11,700,000</u>	<u>12,051,254</u>	<u>(351,254)</u>
<b>Total operating expenses</b>	<u>97,297,236</u>	<u>97,648,778</u>	<u>(351,542)</u>
<b>Operating loss</b>	<u>(74,949,022)</u>	<u>(77,991,709)</u>	<u>(3,042,687)</u>
<b>Non-operating revenues:</b>			
Local operating grants and special fare assistance	49,232,716	47,899,270	(1,333,446)
Federal maintenance grants and reimbursements	9,760,513	13,178,726	3,418,213
State maintenance grants, reimbursements and special fare assistance	2,377,552	2,172,258	(205,294)
Investment income-net	1,350,000	1,611,121	261,121
Increase in fair value of investments	0	412,203	412,203
Non-transportation revenue	528,241	666,877	138,636
<b>Total</b>	<u>63,249,022</u>	<u>65,940,455</u>	<u>2,691,433</u>
<b>Net loss before capital grant activity</b>	<u>(11,700,000)</u>	<u>(12,051,254)</u>	<u>(351,254)</u>
<b>Capital grant revenue</b>	<u>19,061,402</u>	<u>3,008,165</u>	<u>(16,053,237)</u>
<b>Increase (decrease) in net assets during the year</b>	<u>7,361,402</u>	<u>(9,043,089)</u>	<u>(16,404,491)</u>
<b>Net assets, beginning of year</b>	<u>80,906,000</u>	<u>80,906,000</u>	<u>0</u>
<b>Net assets, end of year</b>	<u>\$88,267,402</u>	<u>\$71,862,911</u>	<u>\$(16,404,491)</u>

Southwest Ohio Regional Transit Authority

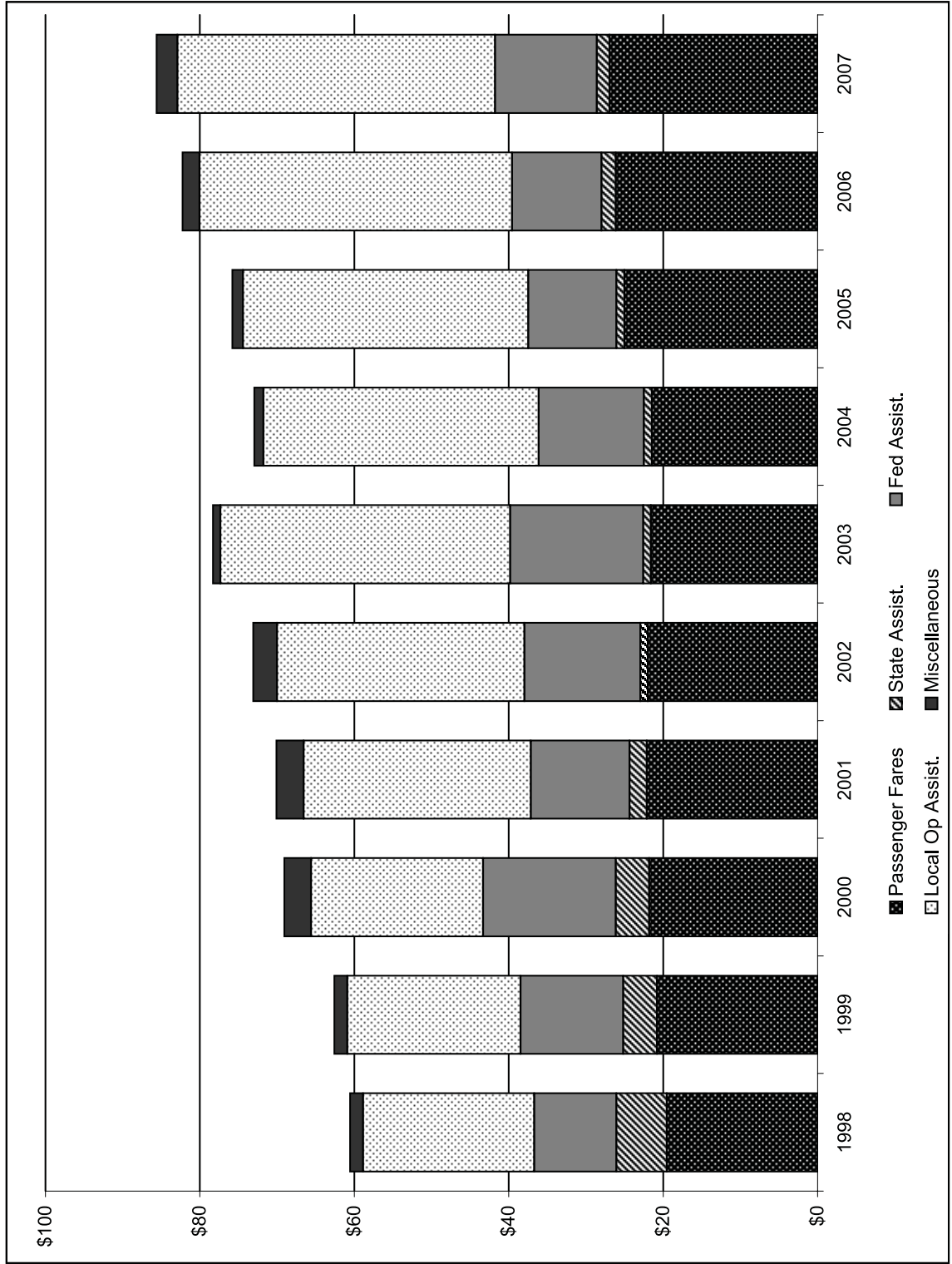
**Revenues by Source—Last Ten Years  
(in Thousands)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>OPERATING REVENUES</b>										
Passenger fares for transit service (1)	\$18,585	\$19,679	\$20,661	\$21,204	\$20,937	\$20,712	\$20,630	\$23,989	\$24,969	\$25,848
Special transit fares	328	528	361	328	412	487	414	562	700	550
Auxiliary transportation revenue	607	572	762	574	615	392	412	459	464	547
Total operating revenues	19,520	20,779	21,804	22,106	21,964	21,591	21,456	25,010	26,133	26,945
<b>NON-OPERATING REVENUES</b>										
Federal grants and reimbursements (1)	10,624	13,282	17,183	12,780	14,298	14,018	12,995	11,421	11,215	13,179
Federal grant pass-through-Riverfront Transit Center	0	0	0	0	713	3,208	0	0	0	0
Federal grant pass-through-Union Township Park & Ride	0	0	0	0	0	0	624	0	0	0
Federal grant pass-through-Anderson Township Park & Ride	0	0	0	0	0	0	0	0	350	0
State grants and reimbursements (1)	6,541	4,394	4,332	2,249	982	985	1,039	1,036	1,855	1,659
State grant pass-through-Union Township Park & Ride	0	0	0	0	0	0	146	0	0	0
Investment income	1,372	1,635	2,981	3,130	2,548	439	587	713	1,501	2,023
Non-transportation revenues	296	288	491	414	541	513	585	668	706	667
Sub-total	18,833	19,599	24,987	18,573	19,082	19,163	15,976	13,838	15,627	17,528
Local operating assistance	22,185	22,456	22,265	29,410	32,052	37,544	35,660	36,935	40,491	41,125
Total non-operating revenues	41,018	42,055	47,252	47,983	51,134	56,707	51,636	50,773	56,118	58,653
<b>TOTAL REVENUES</b>	<b>\$60,538</b>	<b>\$62,834</b>	<b>\$69,056</b>	<b>\$70,089</b>	<b>\$73,098</b>	<b>\$78,298</b>	<b>\$73,092</b>	<b>\$75,783</b>	<b>\$82,251</b>	<b>\$85,598</b>

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

Southwest Ohio Regional Transit Authority

**Revenues by Source—Last Ten Years**



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

Southwest Ohio Regional Transit Authority

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

TRANSPORTATION INDUSTRY (1):

<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 &amp; LOCAL (3)</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
1998	37.8%	17.5%	55.3%	41.1%	3.6%	44.7%	100.0%
1999	37.3%	16.4%	53.7%	42.4%	3.9%	46.3%	100.0%
2000	36.1%	17.4%	53.5%	42.4%	4.1%	46.5%	100.0%
2001	35.2%	14.1%	49.3%	46.2%	4.5%	50.7%	100.0%
2002	32.5%	17.3%	49.8%	45.3%	4.9%	50.2%	100.0%
2003	32.6%	18.1%	50.7%	43.6%	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	*	*	*	*	*	*	*
2007	*	*	*	*	*	*	*

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 &amp; LOCAL (3)</u>	<u>FEDERAL</u>	<u>TOTAL</u>	
1997	32.0%	3.5%	35.5%	57.9%	6.6%	64.5%	100.0%
1998	31.2%	3.8%	35.0%	47.4%	17.6%	65.0%	100.0%
1999	32.2%	4.0%	36.2%	42.7%	21.1%	63.8%	100.0%
2000	30.5%	6.1%	36.6%	38.5%	24.9%	63.4%	100.0%
2001	30.7%	5.9%	36.6%	45.2%	18.2%	63.4%	100.0%
2002	29.2%	5.1%	34.3%	45.2%	20.5%	65.7%	100.0%
2003	27.1%	1.7%	28.8%	49.2%	22.0%	71.2%	100.0%
2004	28.8%	2.2%	31.0%	50.4%	18.6%	69.0%	100.0%
2005	32.4%	2.4%	34.8%	50.1%	15.1%	65.2%	100.0%
2006	31.2%	3.2%	34.4%	51.5%	14.1%	65.6%	100.0%
2007	30.8%	3.8%	34.6%	50.0%	15.4%	65.4%	100.0%

\* Information source not available

(1) Source: The American Public Transit Association, "APTA 2006 Transit 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

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

YEAR	BEGINNING BALANCE	.3% INCOME TAX COLLECT	OTHER RECEIPTS	DISTRIBUTIONS TO SORTA (3)	OTHER DISTRIBUTIONS	ENDING BALANCE (1)(2)
1998	\$11,331 (4)	\$33,980	\$403	\$29,473	\$759	\$15,482
1999	15,482	35,407	413	34,879	842	15,581
2000	15,581	35,594	460	37,400	1,220	13,015
2001	13,015	35,904	318	37,695	1,618	9,924
2002	9,924	36,026	387	34,090	769	11,478
2003	11,478	36,991	268	35,525	811	12,401
2004	12,401	38,248	122	37,588	663	12,520
2005	12,520	40,726	247	37,672	701	15,120
2006	15,120	42,631	487	41,950	658	15,630
2007	15,630	44,168	566	43,814	769	15,781
		<u>\$379,675</u>	<u>\$3,671</u>	<u>\$370,086</u>	<u>\$8,810</u>	

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

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

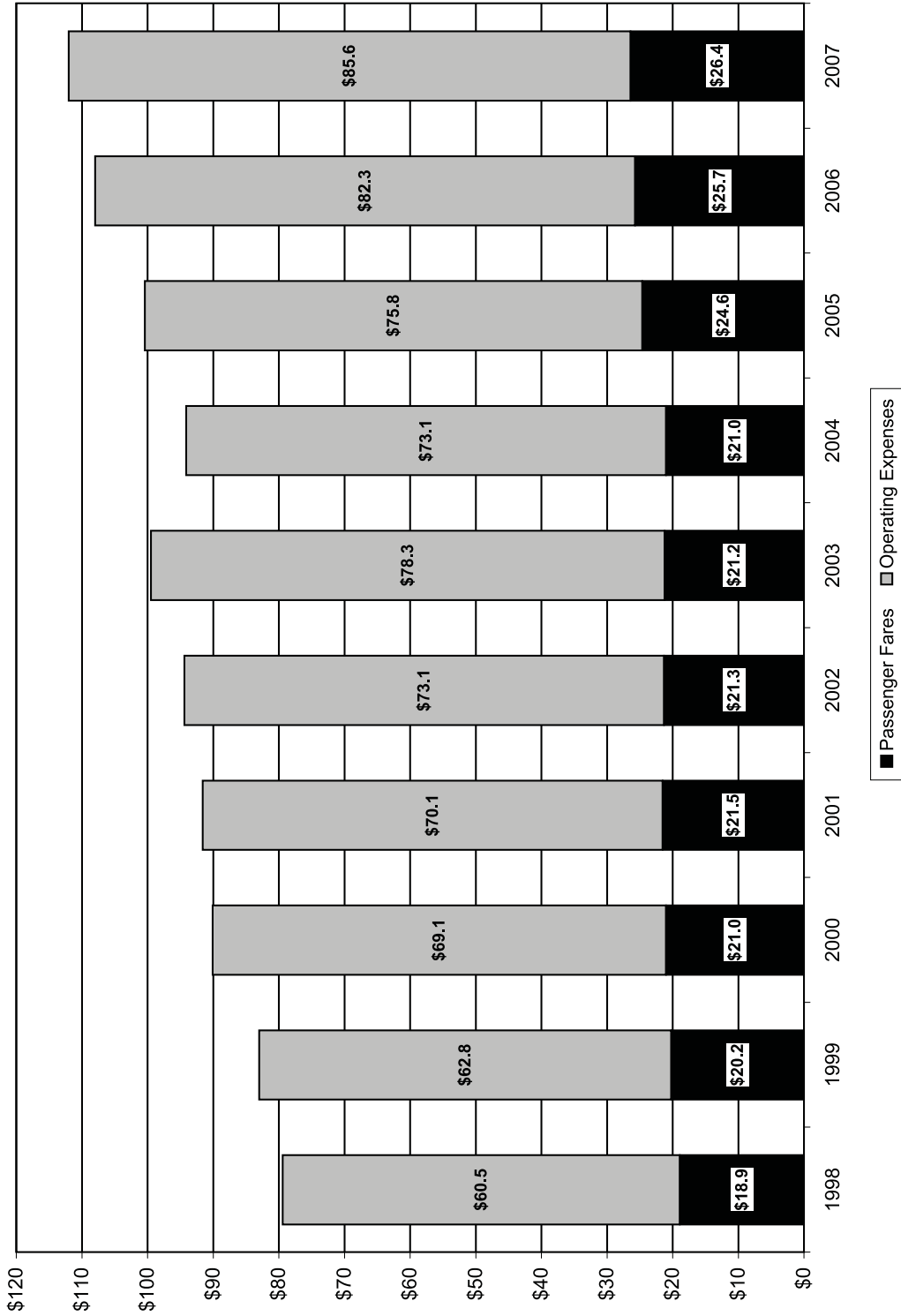
(2) Balance includes an additional \$2,000,000 working-capital reserve.

(3) Includes operating and capital assistance.

(4) In 1998, the City of Cincinnati made a change in accounting principle to conform to GASB No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The cumulative effect of this change increased the beginning 1998 balance by \$27,000.

Southwest Ohio Regional Transit Authority

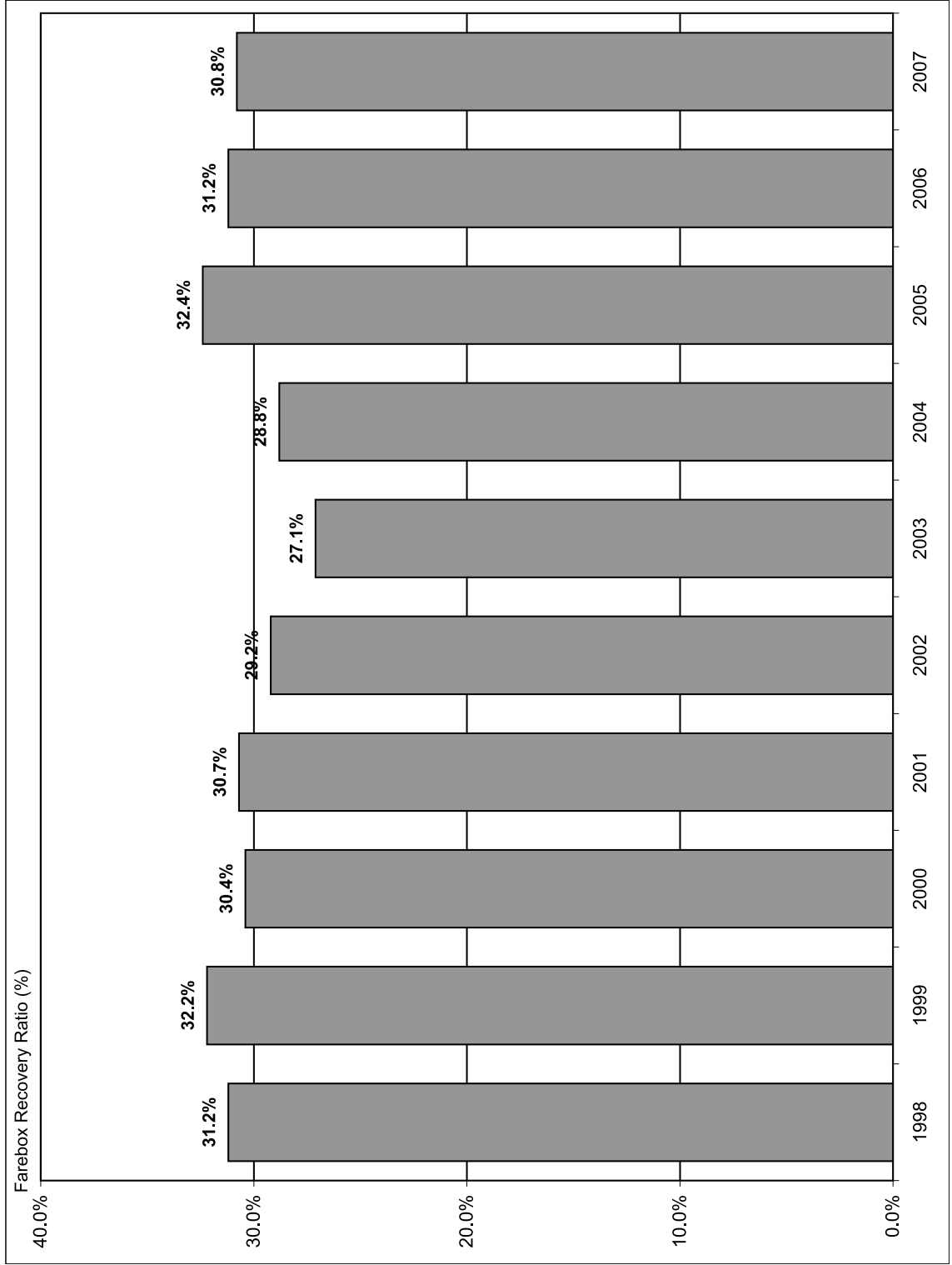
**Passenger Fares vs. Operating Expenses—Last Ten Years**



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

Southwest Ohio Regional Transit Authority

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



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



Southwest Ohio Regional Transit Authority

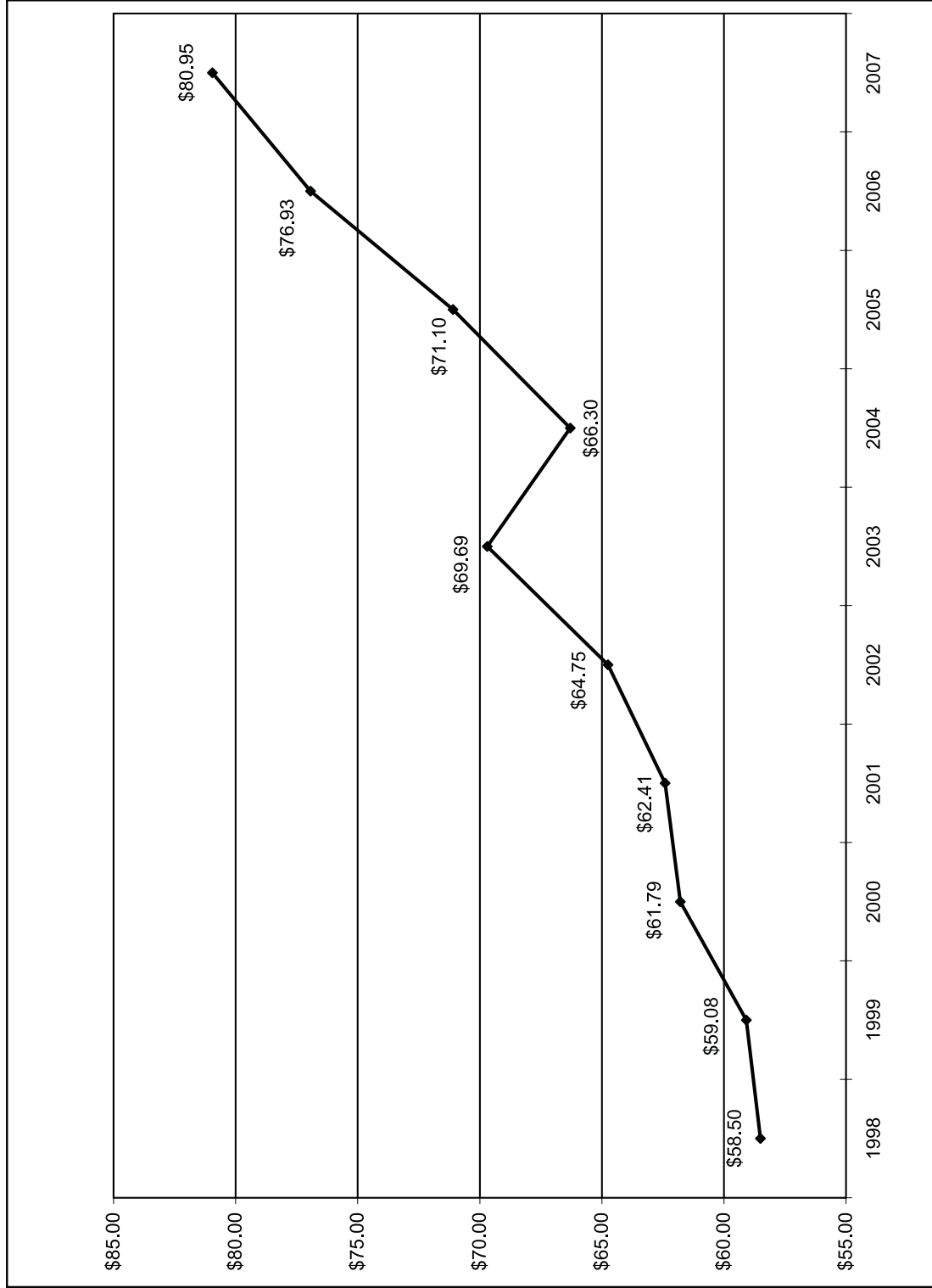
**Expenses by Object Class—Last Ten Years  
(in Thousands)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>OPERATING EXPENSES OTHER THAN DEPRECIATION AND AMORTIZATION:</b>										
Labor	\$30,552	\$31,992	\$33,927	\$35,050	\$35,487	\$36,272	\$35,759	\$35,409	\$37,245	\$38,491
Fringe Benefits	12,711	12,704	12,574	13,339	15,767	15,971	16,266	17,256	18,352	19,328
Materials and supplies consumed	7,313	7,439	10,480	7,953	7,309	8,222	8,955	10,597	12,863	14,262
Services	2,553	2,612	3,387	3,044	3,244	2,704	2,660	2,754	3,053	3,039
Utilities	919	929	1,080	1,074	1,216	1,341	1,302	1,561	1,638	1,872
Casualty and liability	317	410	260	1,724	547	1,343	(335)	288	459	500
Taxes	776	825	859	849	864	896	936	995	1,059	1,053
Purchased transportation services	3,733	4,323	4,398	5,167	6,116	5,840	5,921	5,899	6,106	6,182
Leases and rentals	483	518	477	479	488	455	467	506	491	484
Miscellaneous	1,181	1,082	1,614	1,410	1,347	1,311	391	519	635	387
<b>Total</b>	<b>60,538</b>	<b>62,834</b>	<b>69,056</b>	<b>70,089</b>	<b>72,385</b>	<b>74,355</b>	<b>72,322</b>	<b>75,784</b>	<b>81,901</b>	<b>85,598</b>
Grant pass-through-Riverfront Transit Center	0	0	0	0	713	3,943	0	0	0	0
Grant pass-through-Union Township Park & Ride	0	0	0	0	0	0	770	0	0	0
Grant pass-through-Anderson Township Park & Ride	0	0	0	0	0	0	0	0	350	0
<b>DEPRECIATION AND AMORTIZATION</b>	<b>7,203</b>	<b>8,595</b>	<b>8,750</b>	<b>9,011</b>	<b>9,212</b>	<b>9,550</b>	<b>10,090</b>	<b>10,606</b>	<b>11,489</b>	<b>12,051</b>
<b>TOTAL EXPENSES</b>	<b>\$67,741</b>	<b>\$71,429</b>	<b>\$77,806</b>	<b>\$79,100</b>	<b>\$82,310</b>	<b>\$87,848</b>	<b>\$83,182</b>	<b>\$86,390</b>	<b>\$93,740</b>	<b>\$97,649</b>

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

Southwest Ohio Regional Transit Authority

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



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

Southwest Ohio Regional Transit Authority

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

TRANSPORTATION INDUSTRY (1):

YEAR	LABOR AND FRINGES	MATERIALS AND SUPPLIES	SERVICES	UTILITIES	CASUALTY AND LIABILITIES	PURCHASED TRANSPOR- TATION	OTHER	TOTAL OPERATING EXPENSES (2)
1998	71.7%	9.4%	6.0%	3.5%	2.4%	10.1%	-3.1%	100.0%
1999	70.9%	9.2%	5.9%	3.3%	2.2%	11.5%	-3.0%	100.0%
2000	69.8%	10.0%	5.7%	3.2%	2.2%	12.2%	-3.1%	100.0%
2001	69.4%	10.1%	5.9%	3.3%	2.1%	12.7%	-3.5%	100.0%
2002	70.3%	9.2%	6.2%	3.1%	2.5%	12.0%	-3.3%	100.0%
2003	69.0%	9.0%	6.0%	3.0%	2.6%	13.4%	-3.1%	100.0%
2004	68.7%	9.1%	5.8%	3.0%	2.6%	13.4%	-2.6%	100.0%
2005	66.9%	10.1%	5.8%	3.2%	2.5%	13.8%	-2.3%	100.0%
2006	*	*	*	*	*	*	*	*
2007	*	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY (3):

YEAR	LABOR AND FRINGES	MATERIALS AND SUPPLIES	SERVICES	UTILITIES	CASUALTY AND LIABILITIES	PURCHASED TRANSPOR- TATION	OTHER	TOTAL OPERATING EXPENSES (2)
1998	71.5%	12.1%	4.2%	1.5%	0.5%	6.2%	4.0%	100.0%
1999	71.1%	11.8%	4.2%	1.5%	0.6%	6.9%	3.9%	100.0%
2000	67.3%	15.2%	4.9%	1.5%	0.4%	6.4%	4.3%	100.0%
2001	69.0%	11.4%	4.3%	1.5%	2.5%	7.4%	3.9%	100.0%
2002	70.1%	10.0%	5.4%	1.7%	0.7%	8.4%	3.7%	100.0%
2003	66.7%	10.5%	8.5%	1.7%	1.7%	7.5%	3.4%	100.0%
2004	71.2%	12.3%	4.7%	1.8%	(0.5%)	8.1%	2.4%	100.0%
2005	69.5%	14.0%	3.6%	2.1%	0.4%	7.8%	2.6%	100.0%
2006	67.6%	15.6%	4.1%	2.0%	0.6%	7.4%	2.7%	100.0%
2007	67.6%	16.7%	3.5%	2.2%	0.6%	7.2%	2.2%	100.0%

\* Information source not available

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

(2) Total operating expenses exclude depreciation and amortization.

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

Southwest Ohio Regional Transit Authority

**Operating Statistics—Last Ten Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>SYSTEM RIDERSHIP (1)</b>										
Motor bus .....	26,172,056	26,400,888	24,813,422	24,108,188	23,872,078	23,052,379	25,900,339	25,294,117	25,897,973	
Demand responsive .....	226,598 (4)	236,752	253,124	267,664	271,448	267,271	258,013	261,449	249,528	
<b>AVERAGE WEEKDAY</b>										
<b>SYSTEM RIDERSHIP (1)</b>										
Motor bus .....	86,376	85,747	82,416	83,531	82,656	80,261	87,320	85,990	87,605	
Demand responsive .....	728	816	870	918	938	915	899	913	866	
<b>VEHICLE MILES OPERATED (1)</b>										
Motor bus .....	13,543,419	13,706,584	13,572,038	13,484,565	13,560,173	13,326,524	12,931,616	12,844,463	12,516,090	
Demand responsive .....	2,413,173	2,893,723	2,844,335	2,946,010	2,743,402	2,678,869	2,470,081	2,413,080	2,328,126	
<b>AVERAGE WEEKDAY</b>										
<b>VEHICLE MILES OPERATED (1)</b>										
Motor bus .....	46,335	46,775	46,201	46,096	46,354	45,099	43,502	43,313	42,136	
Demand responsive .....	8,321	9,975	9,771	10,108	9,476	9,169	8,603	8,428	8,082	
<b>REVENUE MILES (1)</b>										
Motor bus .....	11,612,657	11,705,868	11,663,582	11,483,950	11,511,422	11,291,291	11,018,173	11,016,477	10,771,594	
Demand responsive .....	2,015,836	2,421,249	2,382,661	2,552,926	2,404,108	2,324,105	2,135,177	2,058,816	1,973,788	
<b>PASSENGER MILES (1)</b>										
Motor bus .....	183,470,307	152,886,096	148,412,646	134,240,845	129,392,725	133,255,711	139,002,211	128,950,847	124,944,312	
Demand responsive .....	2,436,564	2,397,049	2,662,800	2,438,244	2,820,444	2,471,802	2,483,351	2,736,332	2,567,530	

(Continued)

Southwest Ohio Regional Transit Authority

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>VEHICLE HOURS OPERATED (1)</b>										
Motor bus .....	906,628	940,030	954,812	954,499	952,513	957,369	938,438	907,290	911,536	909,219
Demand responsive .....	128,169	141,785	162,691	168,479	176,488	166,202	164,052	158,632	157,647	148,114
<b>VEHICLE REVENUE HOURS (1)</b>										
Motor bus .....	825,332	861,945	873,696	874,376	871,122	875,770	858,610	830,384	831,841	815,878
Demand responsive .....	113,699	119,390	134,722	138,253	145,949	130,477	124,912	117,240	118,654	114,006
<b>DIESEL FUEL CONSUMPTION (IN GALLONS) (1)</b>	3,214,609	3,368,953	3,456,053	3,497,718	3,485,856	3,459,098	3,385,152	3,334,875	3,453,455	3,427,677
<b>FLEET REQUIREMENTS (DURING PEAK HOURS) (1)</b>										
Motor bus .....	338	358	362	360	358	359	344	325	325	325
Demand responsive .....	40	40	46	46	53	48	43	43	48	48
<b>TOTAL REVENUE VEHICLES DURING PERIOD (1)</b>										
Motor bus .....	426	426	438	481	432	432	430	390	390	390
Demand responsive .....	42	49	52	94	53	53	53	53	53	53
<b>NUMBER OF FULL TIME EMPLOYEES (2)</b>	836	844	818	831	824	787	793	786	785	801

Sources:

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

Southwest Ohio Regional Transit Authority

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Operating revenues</b>										
Passenger fares for transit service	\$13,840	\$14,283	\$14,729	\$14,475	\$13,846	\$14,758	\$14,852	\$18,088	\$18,665	\$18,590
Special transit fares	329	528	381	328	412	487	414	563	700	550
Auxiliary transportation revenue	606	573	762	574	615	392	412	459	464	547
Total operating revenues	\$14,775	\$15,384	\$15,872	\$15,377	\$14,873	\$15,637	\$15,678	\$19,110	\$19,829	\$19,687
<b>Non-operating revenues</b>										
Federal maintenance grants and reimbursements	11,458	14,327	18,219	13,920	15,464	14,018	12,995	11,421	11,215	13,179
Federal grant pass-through	0	0	0	0	713	3,208	624	0	350	0
State maintenance grants, reimbursements and special fare assistance	6,856	4,716	4,664	2,588	1,316	1,308	1,351	1,340	2,297	2,172
State grant pass-through	0	0	0	0	0	0	146	0	0	0
Local operating grants and special fare assistance	3,596	4,028	4,564	5,249	5,591	5,632	5,466	5,596	5,862	6,744
Investment income-net	1,372	1,635	2,981	2,799	1,576	698	754	1,111	1,580	1,611
Increase (decrease) in fair value of investments	0	0	0	331	972	(259)	(166)	(398)	(79)	412
Non-transportation revenue	296	288	491	414	541	513	585	668	706	667
Total non-operating revenues	23,578	24,994	30,919	25,301	26,173	25,118	21,755	19,738	21,931	24,785
<b>Total Revenues</b>	<b>38,353</b>	<b>40,378</b>	<b>46,791</b>	<b>40,678</b>	<b>41,046</b>	<b>40,755</b>	<b>37,433</b>	<b>38,848</b>	<b>41,760</b>	<b>44,472</b>
<b>Operating expenses</b>										
Labor	30,552	31,992	33,927	35,050	35,487	36,272	35,759	35,409	37,245	38,491
Fringe benefits	12,711	12,704	12,574	13,340	15,766	15,971	16,266	17,256	18,352	19,328
Materials and supplies consumed	7,313	7,439	10,480	7,953	7,309	8,222	8,955	10,597	12,863	14,261
Services	2,553	2,612	3,387	3,044	3,244	2,704	2,660	2,754	3,053	3,039
Utilities	919	929	1,080	1,074	1,216	1,341	1,302	1,561	1,637	1,872
Casualty and liability	317	410	260	1,724	547	1,343	(335)	288	459	500
Taxes	776	825	859	849	864	896	936	995	1,059	1,053
Purchased transportation services	3,733	4,323	4,398	5,167	6,116	5,840	5,921	5,898	6,106	6,182
Leases and rentals	483	518	477	479	488	455	467	506	491	484
Miscellaneous	1,181	1,082	1,614	1,409	1,348	1,311	391	520	636	387
Grant pass-through	0	0	0	0	713	3,943	770	0	350	0
Depreciation and amortization	7,203	8,595	8,750	9,011	9,212	9,550	10,090	10,606	11,489	12,051
Total operating expenses	67,741	71,429	77,806	79,100	82,310	87,848	83,182	86,390	93,740	97,648
<b>Total Expenses</b>	<b>67,741</b>	<b>71,429</b>	<b>77,806</b>	<b>79,100</b>	<b>82,310</b>	<b>87,848</b>	<b>83,182</b>	<b>86,390</b>	<b>93,740</b>	<b>97,648</b>

(continued)

Southwest Ohio Regional Transit Authority

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Operating assistance from the City of Cincinnati Income Tax-Transit Fund grant pass-through	0	0	0	0	0	735	0	0	0	0
Operating assistance from the City of Cincinnati Income Tax-Transit Fund	22,185	22,456	22,265	29,410	32,052	36,808	35,660	36,936	40,491	41,304
Capital grant revenue	15,913	9,344	7,068	17,134	14,231	6,383	10,399	6,773	17,741	3,008
<b>Increase (decrease) in net assets</b>	<b>\$8,710</b>	<b>\$749</b>	<b>(\$1,682)</b>	<b>\$8,122</b>	<b>\$5,019</b>	<b>(\$3,167)</b>	<b>\$310</b>	<b>(\$3,833)</b>	<b>\$6,252</b>	<b>(\$9,043)</b>
<b>Net Assets at Year-End</b>										
Invested in capital assets, net of related debt	\$65,035	\$68,509	\$66,826	\$66,312	\$60,827	\$59,061	\$59,431	\$55,640	\$70,559	\$61,561
Restricted	(152)	63	83	1,086	164	514	1,446	3,118	1,300	497
Unrestricted	4,254	1,313	1,293	8,927	20,353	18,602	17,610	15,895	9,047	9,805
<b>Total Net Assets</b>	<b>\$69,136</b>	<b>\$69,885</b>	<b>\$68,203</b>	<b>\$76,325</b>	<b>\$81,344</b>	<b>\$78,177</b>	<b>\$78,487</b>	<b>\$74,654</b>	<b>\$80,906</b>	<b>\$71,863</b>

Southwest Ohio Regional Transit Authority

**Revenue Rates—Last Ten Fiscal Years**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>CASH OR TOKEN FARES</b>										
Zone 1 fare (3)		\$0.80	\$0.80	\$0.80	\$0.80	\$0.80	\$0.80	\$1.00	\$1.00	\$1.00
Zone 2 fare (3)		\$0.65	\$0.65	\$0.65	\$0.65	\$0.65	\$0.65	\$1.50	\$1.50	\$1.50
Zone 3 fare (3)				\$0.30	\$0.30	\$0.30	\$0.30	\$2.00	\$2.00	\$2.00
Weekday peak hours (6 to 9 am and 3 to 6 pm)			\$0.80	\$0.80	\$0.80	\$0.80	\$0.80			
Weekday non peak hours			\$0.65	\$0.65	\$0.65	\$0.65	\$0.65			
Weekday zone fare (zone 2) (3)				\$0.30	\$0.30	\$0.30	\$0.30			
Weekday zone fare (zone 3) (3)				\$0.60	\$0.60	\$0.60	\$0.60			
Weekday zone fare (per zone, beyond first zone) (3)		\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.25	\$0.50	\$0.50	\$0.50
Parking Meeter shuttle (Monday - Friday)		\$0.25	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25			
Downtown midday shuttle (Monday - Friday)		\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50			
Weekend flat rate (no zone fares apply)		\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.15	\$0.25	\$0.25	\$0.25
Weekday Transfers							\$0.25	\$1.50	\$1.50	\$1.50
Transfers								\$2.00	\$2.00	\$2.00
Access Zone 1 (1)		\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00			
Access Zone 2 (1)		\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75			
Access weekday (1)								\$2.25	\$2.25	\$2.25
Access weekend (1)								\$2.00	\$2.00	\$2.00
Express Service (Monday - Friday) (Butler County)										\$2.75
Express Service (Monday - Friday) (Warren County)										\$3.25
Express Service (Monday - Friday) (Eastgate, Harrison)										\$2.50
Eastgate Express Service (Monday - Friday)										
Express Services (Monday - Friday)			\$1.50	\$1.75	\$1.75	\$1.75	\$1.75			
Harrison Express Service (Monday - Friday)			\$1.75	\$2.00	\$2.00	\$2.00	\$2.00			
Warren County and Fort Washington Way Service Fares		\$1.50								
<b>MONTHLY PASSES</b>										
MetroCard Zone 1 Pass (zone one) (3)		\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00	\$40.00	\$40.00	\$40.00
MetroCard A Pass (zone one, weekdays only) (3)										
MetroCard Zone 2 Pass (two zones) (3)		\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$52.00	\$60.00	\$60.00	\$60.00
MetroCard B Pass (two zones, weekdays only) (3)										
MetroCard Zone 3 Pass (three zones) (3)		\$56.00	\$56.00	\$70.00	\$70.00	\$70.00	\$72.00	\$80.00	\$80.00	\$95.00
MetroCard C Pass (three zones, weekdays only) (3)										
MetroCard Zone 4 Pass (Butler County)										\$105.00
MetroCard All Pass (express routes and three zones)		\$45.00	\$45.00	\$50.00	\$50.00	\$60.00	\$60.00	\$90.00	\$90.00	\$125.00
Metro/Tank Pass (zone one) (3)		\$19.00	\$19.00	\$19.00	\$19.00	\$19.00	\$19.00	\$70.00	\$70.00	\$70.00
Metro/Tank Pass (zone one, weekdays only) (3)		\$8.00	\$8.00	\$8.00	\$8.00	\$8.00	\$19.00	\$24.50	\$24.50	\$24.50
Fare Deal (2) (three zones) (3)										
Weekend Pass										

(continued)



Southwest Ohio Regional Transit Authority

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>DISCOUNT FARES (Fare Deal (2) and Children under 45")</b>										
Zone 1 fare								\$0.50	\$0.50	\$0.50
Zone 2 fare								\$0.75	\$0.75	\$0.75
Zone 3 fare								\$1.00	\$1.00	\$1.00
Fare Deal (2) flat rate (no zone fares apply)	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40			
Children under 45" flat rate (no zone fares apply)	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40			

- (1) Demand-responsive, wheelchair lift-equipped paratransit vehicles.
- (2) Photo identification card, good in all three zones, for riders 65 and over, Medicare enrolled and people with disabilities.
- (3) Three zones - 1) City of Cincinnati, 2) Hamilton County outside City 3)Clermont County.
- (4) The revenue base to which these rates are applied can be found in Operating Statistics—Last Ten Years—System Ridership (page 55).

Southwest Ohio Regional Transit Authority

**Outstanding Debt—Last Ten Years  
(Dollars in Thousands)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Outstanding debt by type:										
Capital lease obligation	\$1,376	\$1,376	\$1,376	\$10,013	\$20,013	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000
Total outstanding debt	\$1,376	\$1,376	\$1,376	\$10,013	\$20,013	\$18,636	\$18,636	\$18,636	\$10,000	\$10,000

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

Southwest Ohio Regional Transit Authority

## Principal Employers in Primary Service Area Calendar Year 2007

<b>Full Time Employees</b>				
<b>Employer</b>	<b>Amount</b>	<b>Percentage Of Total Employment</b>	<b>County</b>	<b>Type of Business</b>
1. University of Cincinnati	15,864	3.9%	Hamilton	Public university
2. Kroger Co.	15,600	3.8%	Hamilton	National grocery retailer
3. Health Alliance of Greater Cincinnati	14,785	3.6%	Hamilton	Health care system
4. Procter & Gamble Co.	12,315	3.0%	Hamilton	Consumer products company
5. Cincinnati Children's Hospital Medical Center	9,464	2.3%	Hamilton	Pediatric medical center
6. Trihealth Inc.	9,400	2.3%	Hamilton	Health care system
7. Fifth Third Bank	7,645	1.9%	Hamilton	Financial services company
8. GE Aviation	7,400	1.8%	Hamilton	Aircraft engine supplier
9. Mercy Health Partners	6,948	1.7%	Hamilton	Health care system
10. Hamilton County	6,304	1.5%	Hamilton	Local government

Source: Business Courier Book of Lists, Dec. 28, 2007, Vol. 24, No. 38

Southwest Ohio Regional Transit Authority

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vehicle Operations	600.0	609.0	617.0	614.0	607.0	591.0	595.0	595.0	579.0
Vehicle Maintenance	193.0	188.0	194.0	199.0	187.0	186.0	182.0	187.0	195.0
Non-Vehicle Maintenance	28.0	29.0	31.0	28.0	30.0	29.0	24.0	29.0	34.0
General Administration	95.5	94.0	97.0	100.5	88.0	87.5	85.0	86.5	90.0
Paratransit Service	8.5	6.5	9.5	8.5	9.5	9.0	9.0	10.5	15.0
<b>Total Employees</b>	<b>925.0</b>	<b>926.5</b>	<b>948.5</b>	<b>950.0</b>	<b>921.5</b>	<b>902.5</b>	<b>895.0</b>	<b>908.0</b>	<b>913.5</b>

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

Southwest Ohio Regional Transit Authority

**Capital Asset Information as of December 31, 2007**

**ACCESS**

1801 Transpark Drive, Cincinnati, Ohio 45229-1239

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

Which includes:

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

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

Sq. ft. parking lot 41,430

**SILVERTON**

1000 Montgomery Road, Cincinnati, Ohio 45236-3835

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

Which includes:

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

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

Sq. ft. parking lot 28,800

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

**FOREST PARK, PARK AND RIDE**

1160 Kemper Meadow Drive, Cincinnati, Ohio 45240

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

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

(continued)

Southwest Ohio Regional Transit Authority

**Capital Asset Information as of December 31, 2007 (Continued)**

**PARATRANSIT VEHICLES**

<b>Quantity</b>	<b>Year</b>	<b>Manufacturer</b>
17	2001	Eldorado
15	2002	Eldorado
4	2005	Eldorado
6	2006	Ford
15	2007	Eldorado
<b>57</b>	<b>Total Paratransit Vehicles</b>	

**BUSES**

<b>Quantity</b>	<b>Year</b>	<b>Manufacturer</b>
7	1989	Neoplan
5	1990	Neoplan
24	1995	Gillig
64	1996	Gillig
59	1997	Gillig
47	1998	Gillig
23	1999	Gillig
7	2000	Gillig
51	2001	Gillig
38	2002	Gillig
23	2004	Gillig
40	2006	Gillig
<b>388</b>	<b>Total Buses</b>	

## Southwest Ohio Regional Transit Authority

**Fare Rate Structure as of December 31, 2007**

## CASH OR TOKEN FARES

Zone 1 fare (3)	\$1.00
Zone 2 fare (3)	1.50
Zone 3 fare (3)	2.00
Rt. 85 Riverfront Parking Shuttle (Monday - Friday)	0.50
Transfers	0.25
Access Zone 1 (1)	1.50
Access Zone 2 (1)	2.00
Express Service (Monday - Friday) (Butler County)	2.75
Express Service (Monday - Friday) (Warren County)	3.25
Express Services (Monday - Friday) (Eastgate, Harrison)	2.50

## MONTHLY PASSES

MetroCard Zone 1 Pass (zone one) (3)	40.00
MetroCard Zone 2 Pass (two zones) (3)	60.00
MetroCard Zone 3 Pass (three zones) (3)	95.00
MetroCard Zone 4 Pass (Butler County)	105.00
MetroCard All Pass (express routes and three zones)	125.00
Metro/TANK Pass (zone one) (3)	70.00
Fare Deal (2) (three zones) (3)	24.50

## DISCOUNT FARES (Fare Deal (2) and children under 45")

Zone 1 fare	0.50
Zone 2 fare	0.75
Zone 3 fare	1.00

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

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

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

Source: SORTA's website, [www.go-metro.com](http://www.go-metro.com).

Southwest Ohio Regional Transit Authority

**Demographic Statistics**

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

<u>YEAR</u>	<u>K-12 SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE (3)</u>	<u>POPULATION (4)</u>
1998	172,669	3.5%	855,976
1999	171,552	3.6%	849,917
2000	172,112	3.6%	843,993
2001	165,922	3.6%	844,569
2002	163,108	5.1%	840,362
2003	161,025	5.1%	836,547
2004	157,301	5.6%	832,250
2005	155,265	5.7%	828,487
2006	157,188	5.0%	822,596
2007	157,002	5.0%	842,369

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

\* information is not available

Source:

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

(2) MDR's School Directory - Ohio.

(3) Ohio Bureau of Employment Services.

(4) Ohio Workforce Informer.



Southwest Ohio Regional Transit Authority

**Miscellaneous Statistics**

Date of creation of SORTA by Hamilton County Board of Commissioners	October 2, 1968
Date agreement signed to take over operation of Cincinnati Transit, Inc.	February 8, 1973
Date SORTA took over operations	August 15, 1973
Form of government	Board of Trustees
Number of Trustees	9
County in which SORTA operates	Hamilton County, Ohio with small parts of Butler County, Ohio, Clermont County, Ohio and Warren County, Ohio
Type of tax support	City of Cincinnati income tax 0.3%
Size of service area (square miles)	253
Miles of route	641
Number of routes	54
Wheelchair accessible standard buses	376
Average system speed (miles per hour)	
Motor bus	13.8
Demand responsive	15.7
Customer information calls answered	737,320