

Southwest Ohio Regional Transit Authority  
Hamilton County, Ohio

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For Fiscal Years Ended December 31, 2017 and 2016

Jason Dunn  
Chair  
Board of Trustees

Dwight Ferrell  
CEO & General Manager

Prepared by:  
Finance Department





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Southwest Ohio Regional Transit Authority, Hamilton County, prepared by CliftonLarsonAllen LLP, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Southwest Ohio Regional Transit Authority is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

September 14, 2018

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Southwest Ohio Regional Transit Authority  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For Fiscal Years Ended December 31, 2017 and 2016

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# SORTA

Southwest Ohio Regional  
Transit Authority

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

## Trustees

Jason Dunn  
Chair

Ken Reed  
Vice Chair

Heidi Black  
Maurice Brown  
Brendon J. Cull  
Gary Greenberg  
Kreg W. Keesee  
Mary Miller  
Ron Mosby  
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Karl B. Schultz  
Daniel St. Charles

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

## SORTA's Vision

20 million rides by 2021

## SORTA's Mission

Regional transportation  
connecting people and places, driving  
economic growth and expanding  
quality of life choices



METRO

go\*METRO  
ACCESS 

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

July 27, 2018

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

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Southwest Ohio Regional Transit Authority ("SORTA" or "The Authority") for fiscal years ended December 31, 2017 and 2016. This CAFR was prepared by the Finance 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 provides full disclosure of SORTA's material financial operations. The financial statements, supplemental schedules, statistical information, and all data contained herein are the representations of SORTA's management. SORTA's management assumes full responsibility for the accuracy, completeness and fairness of this CAFR presentation.

SORTA's independent auditor, CliftonLarsonAllen LLP, has issued an unmodified ("clean") audit opinion on SORTA's financial statements for the fiscal year ended December 31, 2017. CliftonLarsonAllen's Independent Auditors' Report can be found on page 11 of this CAFR.

SORTA also participates in the Federal single audit program, which consists of a single audit of all Federally-funded programs administered by SORTA. As a requirement for continued funding eligibility, participation in the single audit program is mandatory for most local governments, including SORTA. The single audit performed by CliftonLarsonAllen LLP meets the requirements set forth by the State of Ohio and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The single audit report for the fiscal year ended December 31, 2017, was issued with an unmodified ("clean") opinion.

We are very proud that the Governmental Finance Officers Association of the United States and Canada (GFOA) has again awarded a Certificate of Achievement for Excellence in Financial Reporting to SORTA for its comprehensive annual financial report for the fiscal year ended December 31, 2016, representing the 26th consecutive year the Authority has received this award. The Certificate of Achievement is a prestigious national award recognizing conformance to the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily-readable and efficiently-organized comprehensive annual financial report, whose contents conform to stringent program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the program requirements, and we are submitting it to the GFOA to determine our eligibility for another certificate.

This CAFR is divided into the following three sections:

**Introductory Section** contains this letter of transmittal, a list of the members of the Board of Trustees and Administration, and a Table of Organization.

**Financial Section** includes the Independent Auditors' Report, Management's Discussion and Analysis, the financial statements (with related footnotes) for the years ended December 31, 2017 and 2016, the required supplementary information schedule of agency's proportionate share of net pension liability—OPERS traditional and combined plans, the required supplementary information schedule of agency's contributions—OPERS traditional and combined plans, and the supplemental schedule of revenues, expenses, and changes in net position—budget and actual for the year ended December 31, 2017.

**Statistical Section** provides financial, economic, and demographic information which is useful for indicating trends for comparative fiscal periods.

## PROFILE OF GOVERNMENT

### General

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

### Commencement of Operations and Funding

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

SORTA receives operating and capital assistance from the U.S. Department of Transportation under the Urban Mass Transportation Act of 1964 (the Act), as amended. Among other requirements of the Act, state and local governments must provide a proportionate share of funds and/or support (as defined by the Federal Transit Administration guidelines) for operating and capital assistance. In this regard, under the terms of the City/SORTA agreement, the City provides operating and capital assistance to SORTA from revenues derived from the income tax designated for transit operations. Additional information about these funding sources can be found in Note 3 to the Financial Statements.

### Services

SORTA provides public transportation services through two operating divisions, Metro and Access. Metro provides fixed route bus service throughout the service area. Currently, there are 47 fixed bus routes, including both local service and commuter express service on weekdays during rush hours. Operating hours generally run from about 4:00 a.m. to 2:00 a.m. the next day, seven days a week, including holidays. Based on a review of 2000 U.S. Census data, it is estimated that approximately 80% of the population in SORTA's service area lives within three quarters of a mile of Metro fixed

route service. In 2017, Metro operated a total of about 790,000 hours of service over 11.2 million miles, providing approximately 14.3 million rides.

Access provides demand-response, shared-ride service in Hamilton County for persons whose disabilities prevent them from riding Metro fixed route service. It is managed and operated by a private contractor which uses SORTA's fleet of 44 lift-equipped vehicles and 4 ambulatory vehicles. SORTA's Director of Accessible Services provides oversight for this service. In 2017, Access provided about 228,000 passenger trips over 1.8 million vehicle miles.

## Management

SORTA is managed by a Board of Trustees (the "Board"), which is vested by Ohio law with the powers necessary to manage SORTA. The Board of Trustees is comprised of four Charter Members representing the counties of Hamilton, Butler, Warren and Clermont, and nine At-Large Members allotted by jurisdiction based upon the jurisdiction's funding contribution to the operation of SORTA. Currently, seven of the At-Large Members are appointed by the City of Cincinnati, and the remaining two At-Large Members are appointed by Hamilton County. The resolution that created SORTA, as amended in 2008, also authorizes SORTA to evolve into a multi-state regional transit commission in the future and possibly expand the number of Trustees to 17.

The administration of SORTA, subject to the policies and supervision of its Board of Trustees, is directed by the Chief Executive Officer (CEO). The CEO selects the senior staff who manage the day-to-day operations of the Authority. A Table of Organization which depicts the key functional responsibilities is shown on page 9 of this Introductory Section.

## Facilities

SORTA maintains six facilities at the following locations:

**602 Main Street, Suite 1100**, a leased facility in downtown Cincinnati, houses Metro's administrative offices, along with the office of SORTA staff and Board of Trustees.

**120 East Fourth Street**, a leased facility in downtown Cincinnati, is operated jointly with the Transit Authority of Northern Kentucky (TANK) and provides customer services, bus rider information, and sales services.

**Bond Hill Operating Division**, 4700 Paddock Road, a City owned facility, provides indoor storage for up to 145 buses and light maintenance work areas.

**Queensgate Operating Division and Maintenance Support Facility**, 1401 Bank Street, a City owned facility, provides indoor storage for up to 280 buses. Both heavy and light maintenance is performed at this location. The radio control room is also housed at this facility.

**Silverton Assessment and Training Center**, 7000 Montgomery Road. This facility is for assessment and training for people with disabilities.

**Paratransit Operating Facility**, 1801 Transpark Drive. This is the site from which our Access division operates.



## **FINANCIAL INFORMATION**

### **Basis of Accounting**

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

### **Budgetary Controls**

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

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

### **Internal Control Structure**

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

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

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

### **Financial Operating Results**

Management's Discussion and Analysis (MD&A) on pages 14-19 of this CAFR provides a narrative introduction, overview and analysis of the Authority's basic Financial Statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## YEAR IN REVIEW

Metro continued to focus on reducing costs, increasing efficiency and improving the customer experience. Here are some highlights from the past year:

- Reduced costs and managed expenses to maintain unchanged fare rates for the seventh consecutive year
- Optimized service on five underperforming local routes
- Broke ground on the Oakley Transit Center
- Celebrated the first anniversary of operations for the Cincinnati Bell Connector Streetcar

## ECONOMIC CONDITION AND OUTLOOK

### General

SORTA's primary service area is in Hamilton County, which is situated in the southwest corner of Ohio. The county seat is the City of Cincinnati, which is located on the southern boundary of the state on the Ohio River. Population in SORTA's principal service area since 1960 has been as follows:

<u>Year</u>	<u>Cincinnati</u>	<u>Hamilton County</u>
1960	502,550	864,121
1970	452,524	924,018
1980	385,497	873,224
1990	364,040	867,881
2000	331,285	845,303
2010	296,943	802,374

*Source: U.S. Bureau of the Census*

The Cincinnati Metropolitan Statistical Area (MSA) consists of 13 counties: Brown, Butler, Clermont, Hamilton and Warren in Ohio; Boone, Campbell, Gallatin, Grant, Kenton and Pendleton in Kentucky; and Dearborn and Ohio in Indiana. The MSA population estimate for 2010 (the most recent U.S. Census) was 2.1 million. Hamilton County's population was 802,374, which comprises roughly 40 percent of the 13-county total. In another encouraging note, the population in downtown Cincinnati has been on an upswing with increased residential development, which shows no sign of abating.

### Employment

Employment in Southwest Ohio will grow a step slower than the U.S. average in 2018. Healthcare and professional services will lead job growth with retail, finance, leisure and hospitality providing support. Strong overseas demand for aerospace products will be an added support to investment, production and income growth in the region. However, manufacturing is unlikely to generate a lot of new jobs.

Amazon's recent decision to invest \$1.5 billion in an air hub at the Cincinnati airport could add as many as 2,000 jobs over the next couple of years. The regional unemployment rate will likely stay relatively steady as labor force growth matches job growth.

Tax cuts and higher defense and infrastructure spending is in the works from the Federal government. This could boost profits for the region's large corporate sector and it could help boost production in steel and aerospace industries.

Longer-term, weak demographic trends will keep Southwest Ohio's economy growing more slowly than the rest of the U.S. Nevertheless, the region has a number of positive attributes that lend upside potential. Cincinnati is home to nine Fortune 500 companies, one of the highest concentrations per capita in the nation. A number of educational institutions, including the University of Cincinnati, Xavier University, Northern Kentucky University and Cincinnati State Technical & Community College, provide a well-educated workforce and a steady source of long-term growth that will minimize volatility. Despite deep job losses and concerns for their long-term viability, the market area's major employers survived the recession and are now looking forward to improved local and national market conditions. In particular, the presence of large manufacturers such as Honda, Procter & Gamble and GE Aviation is a great asset and source of long-term stability for the market area's economy.

### **Population growth**

The out-migration from which Southwest Ohio suffered during the recession has likely abated, given the ongoing jobs recovery, and will improve in the quarters ahead. As a result, we assume that population growth will stabilize at a low rate.

The area's population growth generally outpaces the regional average of negative net migration that is common to so many Midwestern markets. Yet, local population growth is weaker than the national trend, and this hampers the market area's economic growth potential. Cincinnati wavers between net gains and net losses depending on job market conditions. This balancing act yields a conservative demographic forecast over the long-term.

### **Housing**

Home price appreciation will maintain a moderate pace of growth, thanks to a better balance between supply and demand. There is potential for the region to experience stronger growth than forecast. Home prices are on track to rise between 4 and 5 percent per year over the next couple of years, thanks to an improved balance between supply and demand. Continued jobs and income growth will lift home sales. Housing demand will also be supported by easier access to credit. Although mortgage rates are rising, they will still be low by historic standards and experts predict they will remain below 5 percent through 2018. At the same time, construction is restrained and excess inventory is being absorbed. However, in light of weak population growth over the long term, homebuilding and sales are unlikely to match pre-Great Recession levels in the foreseeable future.

Overall, housing is very affordable in the region, but the area will struggle to capitalize on this advantage without greater economic vitality.

For a comprehensive examination of the regional economic outlook, visit:

<https://www.pnc.com/en/about-pnc/media/economic-reports.html>

## FUTURE PROJECTS

Initiatives planned for 2018 include:

**New facilities:** Oakley transit center opening in second quarter and transit centers are being planned for Northside and Walnut Hills.

**New amenities:** A six-month Wi-Fi pilot program is being undertaken on 59 Metro buses and 5 Access paratransit vehicles.

**New direction:** Metro will conduct extensive community outreach in support of the Reinventing Metro service improvement and funding options plan. The Southwest Ohio Regional Transit Authority Board of Trustees will decide whether to place a sales tax on the ballot, the results of which may lead to the expanded services described in the plan.

## OTHER INFORMATION

### Acknowledgments

The publication of this report is a reflection of the excellence and professionalism of SORTA's Finance Department, and illustrates the extent of SORTA's accountability to taxpayers.

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



Dwight P. Ferrell  
Chief Executive Officer and General Manager



David A. Riposo  
Chief Financial Officer and Secretary-Treasurer

Southwest Ohio Regional Transit Authority

## **Board of Trustees and Administration as of December 31, 2017**

### **Members of the Board of Trustees**

Jason Dunn, Chair  
Kenneth Reed, Vice Chair  
Heidi Black  
Maurice Brown  
Brendon Cull  
Gary Greenberg  
Kreg Keesee  
Mary Miller  
Ron Mosby  
Gwen Robinson  
Karl Schultz  
Daniel St. Charles

### **Administration**

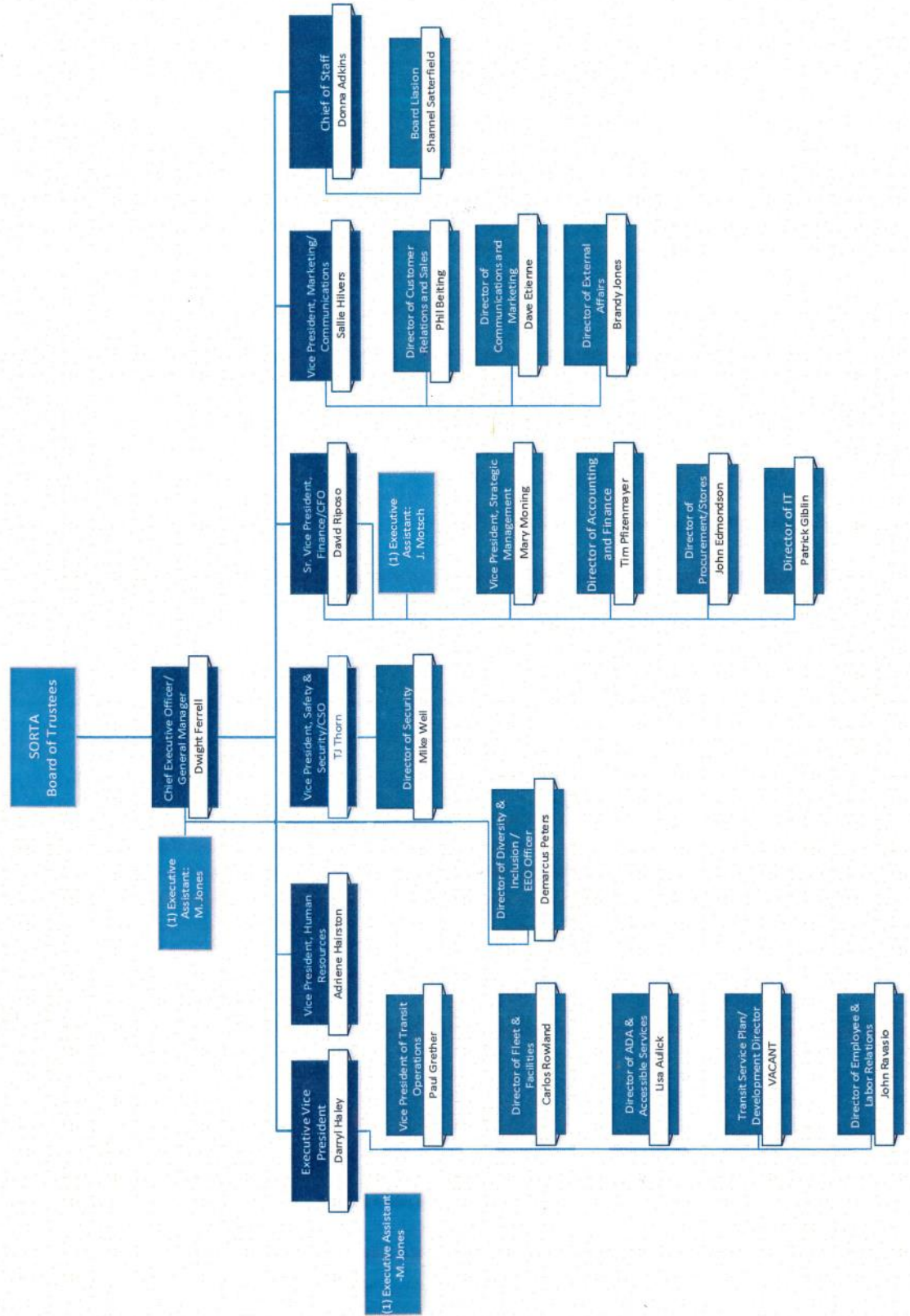
Dwight Ferrell, Chief Executive Officer and General Manager  
Darryl Haley, Executive Vice President and Chief Operating Officer  
David Riposo, Senior Vice President, Chief Financial Officer and Secretary-Treasurer  
Donna Adkins, Chief of Staff

Paul Grether, Vice President, Transit Operations  
Adriene Hairston, Vice President, Human Resources  
Sallie Hilvers, Vice President, Marketing and Communications  
Mary Moning, Vice President, Strategic Planning  
T.J. Thorn, Vice President, Safety & Security

Lisa Aulick, Director, ADA & Accessible Services  
Phil Beiting, Director, Customer Relations and Sales  
John Edmondson, Director, Procurement  
David Etienne, Director, Marketing and Communications  
Patrick Giblin, Director, Information Services  
Brandy Jones, Director, External Affairs  
Demarcus Peters, Director, Diversity  
Timothy Pfizenmayer, Director, Accounting  
John Ravasio, Director, Employee and Labor Relations  
Carlos Rowland, Interim Director, Fleet and Facilities  
Michael Weil, Director, System Security

Southwest Ohio Regional Transit Authority

Table of Organization  
December 31, 2017





Government Finance Officers Association

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, 2016**

*Christopher P. Morill*

Executive Director/CEO

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CliftonLarsonAllen LLP  
 One SeaGate, Suite 2650  
 Toledo, OH 43604  
 419-244-3711 | fax 419-255-9615  
 CLAAconnect.com

## INDEPENDENT AUDITORS' REPORT

Finance Committee  
 Southwest Ohio Regional Transit Authority  
 Cincinnati, Ohio

### Report on the Financial Statements

We have audited the accompanying financial statements of Southwest Ohio Regional Transit Authority (the Authority), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Southwest Ohio Regional Transit Authority

Finance Committee  
Southwest Ohio Regional Transit Authority

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2017 and 2016, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedules of Net Pension Liability and Pension Contributions be presented on pages 14-19 and 52-55, respectively, to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Supplemental Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (GAAP basis), introductory section and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplemental Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual (GAAP basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual (GAAP basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

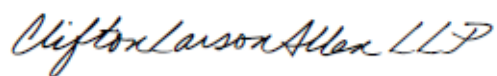
The introductory section and statistical tables have not been subjected to the auditing procedure applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Southwest Ohio Regional Transit Authority

Finance Committee  
Southwest Ohio Regional Transit Authority

**Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Toledo, Ohio  
July 27, 2018

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis

The Southwest Ohio Regional Transit Authority (the "Authority") is pleased to present readers of these financial statements with the following narrative overview and analysis of the Authority's financial activities for the fiscal year ended December 31, 2017. This discussion and analysis is designed to assist the reader in focusing on material financial issues and activities and to identify material changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

### Financial Highlights

- The Authority's total net position at the end of 2017 was \$42.7 million, which represents a decrease of \$26.2 million, or 38.0%, compared to the balance at the end of 2016;
- Operating revenue for the year was \$22.6 million, which represents a decrease of about \$0.5 million, or 2.0%, from 2016;
- Operating expenses for the year (excluding depreciation and amortization) were \$111.1 million, which represents an increase of \$10.5 million, or 10.4%, over 2016;
- Non-operating revenues, including federal, state and local subsidies, were \$76.3 million in 2017, which represents a decrease of \$1.7 million, or 2.1%, compared to 2016.

### Overview of Financial Statements

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

### Required Financial Statements

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

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

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

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

Southwest Ohio Regional Transit Authority

**Management's Discussion and Analysis (continued)****Notes to the Financial Statements**

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

**Condensed Statement of Net Position Compared to Prior Year  
(amounts in thousands)**

	As of December 31,		
	2017	2016	2015
Current assets	\$36,138	\$30,254	\$28,363
Non-current assets	9,949	6,185	7,068
Capital assets - net	92,780	106,712	109,815
<b>Total assets</b>	<u>138,867</u>	<u>143,151</u>	<u>145,246</u>
Deferred outflows of resources	31,110	24,220	9,174
<b>Total assets and deferred outflows of resources</b>	<u>\$169,977</u>	<u>\$167,371</u>	<u>\$154,420</u>
Current Liabilities	\$31,851	\$25,753	\$24,241
Non-current liabilities	94,841	71,511	53,966
<b>Total liabilities</b>	<u>126,692</u>	<u>97,264</u>	<u>78,207</u>
Deferred Inflows of resources	587	1,250	790
<b>Total liabilities and deferred inflows of resources</b>	<u>127,279</u>	<u>98,514</u>	<u>78,997</u>
Net position			
Investment in capital assets	92,780	106,713	109,815
Restricted	555	312	494
Unrestricted	(50,637)	(38,168)	(34,886)
<b>Total net position</b>	<u>42,698</u>	<u>68,857</u>	<u>75,423</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$169,977</u>	<u>\$167,371</u>	<u>\$154,420</u>

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

As noted earlier, net position over time may serve as a useful indicator of the Authority's financial position. As of December 31, 2017, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$42.7 million, which is a decrease in net position of \$26.2 million, or 38.0%, from 2016. As of December 31, 2016, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$68.9 million, which is a decrease in net position of \$6.6 million, or 8.7%, from 2015. It is further noted

Southwest Ohio Regional Transit Authority

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

that over the past three years, the adoption of GASB 68 (see Note 8) has decreased the net position of the Authority by \$50.0 million.

By far the largest portion of the Authority's net position is its investment in capital assets, less the outstanding balance of any debt used to acquire those assets. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. The Authority uses these capital assets to provide public transportation service in Hamilton County and small portions of Warren, Clermont and Butler Counties. These assets are not available to liquidate liabilities or for other spending.

The Authority's investment in capital assets as of December 31, 2017, amounts to \$92.8 million, net of accumulated depreciation, which is a decrease of \$13.9 million, or 13.0%, from 2016.

There were no major capital asset expenditures during 2017. Depreciation and amortization expense was \$15.2 million in 2017.

The Authority's investment in capital assets as of December 31, 2016, amounts to \$106.7 million, net of accumulated depreciation, which is a decrease of \$3.1 million, or 2.8%, from 2015.

Major capital asset expenditures during 2016 included the following:

- \$10.5 million to purchase 22 new 40-foot buses;
- \$0.5 million to acquire property for future passenger stations.

Depreciation and amortization expense of \$15.4 million in 2016 exceeded these and other fixed asset additions.

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

### **Debt Administration**

The Authority maintains no short- or long-term debt, other than certain capital leases on occasion. There were no outstanding capital leases as of December 31, 2017 or 2016.

Southwest Ohio Regional Transit Authority

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

	<b>For fiscal years ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Operating revenues:			
Passenger fares	\$20,623	\$21,220	\$21,859
Other operating revenues	1,973	1,828	1,537
<b>Total operating revenues</b>	<u>22,596</u>	<u>23,048</u>	<u>23,396</u>
Operating expenses other than depreciation and amortization	111,125	100,661	91,602
Depreciation and amortization expense	15,249	15,389	14,783
Grant pass throughs	0	3,833	13,545
<b>Total operating expenses</b>	<u>126,374</u>	<u>119,883</u>	<u>119,930</u>
Operating loss	(103,778)	(96,835)	(96,534)
Non-operating revenues:			
Operating assistance from City of Cincinnati	50,535	50,242	47,340
Federal maintenance grants	15,401	15,325	14,764
Federal grant pass throughs	0	3,833	13,545
Local operating grants and assistance	6,454	6,276	6,442
Other non-operating revenues	3,903	2,272	918
<b>Total non-operating revenues</b>	<u>76,293</u>	<u>77,948</u>	<u>83,009</u>
<b>Net loss before capital grant activity</b>	(27,486)	(18,885)	(13,525)
Capital grant revenue	1,327	12,321	20,804
<b>Change in net position</b>	(26,159)	(6,565)	7,278
<b>Net position, beginning of year (restated for 2015)</b>	68,857	75,422	68,144
<b>Net position, end of year</b>	<u>\$42,698</u>	<u>\$68,857</u>	<u>\$75,422</u>

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

**Operating Revenues**

The Authority's operating revenues were \$22.6 million in 2017, which represents a decrease of \$0.5 million, or 2.0%, compared to 2016. This decrease is due primarily to a \$0.6 million decrease in passenger fares on Metro fixed route service as a result of a 5.0% drop in ridership during the year, partially attributed to lower gasoline prices. Partially offsetting this decrease in fixed route passenger fares was a \$0.1 million, or 9.3%, increase in auxiliary transportation revenue from bus advertising.

Southwest Ohio Regional Transit Authority

## Management's Discussion and Analysis (continued)

The Authority's operating revenues were \$23.0 million in 2016, which represents a decrease of \$0.4 million, or 1.7%, compared to 2015. This decrease is due primarily to a \$0.6 million decrease in passenger fares on Metro fixed route service as a result of a 6.0% drop in ridership during the year, partially attributed to lower gasoline prices. Partially offsetting this decrease in fixed route passenger fares was a \$0.2 million, or 36.3%, increase in auxiliary transportation revenue from bus advertising.

### Operating Expenses

The Authority's operating expenses, other than depreciation and amortization, were \$111.1 million in 2017, which represents an increase of \$10.4 million, or 10.4%, compared to 2016. This increase was driven by several factors:

- \$10.0 million increase in fringe benefits driven by a \$8.9 million increase to adjust pension accrual and a \$1.2 million increase in health insurance expense due to increased claims expense. The Authority changed to a self-funded health insurance plan effective January 1, 2017. This change resulted in an increase in expense of 16.5% over the prior year. Had this change not taken place, the resulting increase by remaining fully insured would have been 29.6% over the prior year.
- \$1.5 million increase in purchased transportation costs due to Connector service and Access paratransit service due to increased ridership.

These increases were partially offset by:

- \$1.2 million decrease in services due primarily to receipt of a vendor reimbursement.

The Authority's operating expenses, other than depreciation and amortization, were \$100.7 million in 2016, which represents an increase of \$9.1 million, or 9.9%, compared to 2015. This increase was driven by several factors:

- \$6.1 million increase in fringe benefits driven by a \$3.5 million increase to adjust pension accrual and a \$0.8 million increase in health insurance expense due to increased premiums.
- \$2.0 million increase in services, driven primarily by vehicle acquisitions from the Section 5310 program, outsourced services, legal and temporary help.
- \$1.6 million increase in purchased transportation costs due to Connector service commencement and Access paratransit service due to increased ridership.

These increases were partially offset by:

- \$1.3 million decrease in diesel fuel expense as a result of lower prices and better bus mileage than in the prior year.



Southwest Ohio Regional Transit Authority

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

### **Non-Operating Revenues**

Non-operating revenues were \$76.3 million in 2017, which is a decrease of \$1.6 million, or 2.1%, over 2016. This decrease is due to a reduction in federal grant pass throughs of \$3.8 million, partially offset by increased other non operating revenues of \$1.6 million.

Non-operating revenues (exclusive of federal grant pass throughs) were \$74.1 million in 2016, which is an increase of \$4.6 million, or 6.6%, over 2015. This increase is partially due to a \$2.9 million increase in operating assistance from the City of Cincinnati Income Tax-Transit Fund as a result of higher tax receipts.

In July, 2017, the SORTA Board expressed its intent to place an initiative on the ballot in Hamilton County during the General Election of November, 2018, asking voters to approve a countywide sales tax adequate to fund future operations of Metro and Access, and directed the administration to take whatever action is necessary to prepare for this ballot initiative.

### **Requests for Information**

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

## Southwest Ohio Regional Transit Authority

**Statement of Net Position  
As of December 31, 2017 and 2016**

<b>ASSETS AND DEFERRED OUTFLOWS</b>	<b>2017</b>	<b>2016</b>
<b>Current assets:</b>		
Cash and cash equivalents (Note 4)	\$1,225,971	\$1,634,496
Investments (Note 4)	25,175,256	18,805,443
Receivables:		
Federal assistance	4,646,802	4,649,851
Other	2,580,682	2,052,290
Receivables for capital assistance-restricted	376,880	298,846
Inventory of materials and supplies	1,527,043	2,048,747
Prepaid expenses and other current assets	605,404	764,151
Total current assets	<u>36,138,038</u>	<u>30,253,824</u>
<b>Non-current assets:</b>		
Cash and cash equivalents-restricted (Note 4)	0	6,021,709
Investments-restricted (Note 4)	9,740,953	0
Net Pension Asset (Note 8)	208,305	163,077
Capital assets (Note 5):		
Land and buildings	14,615,138	14,615,138
Improvements	34,514,438	34,348,156
Revenue vehicles	145,588,400	154,737,356
Other equipment	40,166,864	39,879,488
Construction in progress	2,038,599	1,218,263
Total capital assets	<u>236,923,439</u>	<u>244,798,401</u>
Less allowance for depreciation and amortization	<u>144,143,301</u>	<u>138,085,888</u>
Capital assets, net	<u>92,780,138</u>	<u>106,712,513</u>
Total non-current assets	<u>102,729,396</u>	<u>112,897,299</u>
Total assets	<u>138,867,434</u>	<u>143,151,123</u>
<b>Deferred outflows of resources (Note 8)</b>	<u>31,109,718</u>	<u>24,219,718</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$169,977,152</u>	<u>\$167,370,841</u>

(continued)

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

## Southwest Ohio Regional Transit Authority

**Statement of Net Position**  
**As of December 31, 2017 and 2016 (continued)**

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2017	2016
<b>Current liabilities:</b>		
Accounts payable	\$4,109,690	\$3,787,552
Accounts payable - capital additions	369,726	299,769
Accrued payroll	1,916,218	1,751,933
Accrued payroll taxes and other benefits	7,054,341	4,120,321
Current portion of estimated claims payable (Note 10)	2,135,000	1,688,000
Other current liabilities	4,552,632	4,404,579
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3):		
For operating purposes	5,609,696	2,417,880
For capital purposes	6,104,311	7,282,446
Total current liabilities	<u>31,851,614</u>	<u>25,752,480</u>
<b>Non-current liabilities:</b>		
Funds advanced for capital grants	9,770,986	6,258,465
Estimated claims payable, net of current portion (Note 10)	3,540,722	3,422,495
Net Pension Liability (Note 8)	80,688,946	60,854,092
Other Post Employment Benefits (Note 9)	816,500	946,861
Other non-current liabilities	23,620	29,099
Total non-current liabilities	<u>94,840,774</u>	<u>71,511,012</u>
Total liabilities	126,692,388	97,263,492
<b>Deferred inflows of resources (Note 8)</b>	<u>586,755</u>	<u>1,250,233</u>
<b>Net position:</b>		
Investment in capital assets	92,780,138	106,712,513
Restricted for:		
Net Pension Asset	208,305	163,077
Capital projects	201,309	0
Other purposes	145,539	149,078
Unrestricted deficit	<u>(50,637,282)</u>	<u>(38,167,552)</u>
Total net position	<u>42,698,009</u>	<u>68,857,116</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$169,977,152</u>	<u>\$167,370,841</u>

(concluded)

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

## Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Net Position  
For Fiscal Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Operating Revenues</b>		
Passenger fares for transit service	\$20,622,854	\$21,220,117
Special transit fares	981,780	921,265
Auxiliary transportation revenue	991,425	907,111
<b>Total</b>	<u>22,596,059</u>	<u>23,048,493</u>
<b>Operating expenses other than depreciation:</b>		
Labor	44,250,554	43,689,209
Fringe benefits	35,823,937	25,835,452
Materials and supplies consumed	12,179,285	12,735,075
Services	5,308,932	6,536,696
Utilities	1,201,329	1,107,742
Casualty and liability	844,264	788,146
Taxes	817,564	829,608
Purchased transportation services	9,277,123	7,768,210
Leases and rentals	654,154	613,243
Miscellaneous	767,759	757,813
<b>Total</b>	<u>111,124,901</u>	<u>100,661,194</u>
Grant pass-through—City of Cincinnati Streetcar	0	3,769,551
Grant pass-through—Everybody Rides Metro Foundation	0	63,191
Depreciation and amortization (Note 5)	15,249,474	15,389,105
<b>Total operating expenses</b>	<u>126,374,375</u>	<u>119,883,041</u>
<b>Operating loss</b>	<u>(\$103,778,316)</u>	<u>(\$96,834,548)</u>

(continued)

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

## Southwest Ohio Regional Transit Authority

**Statements of Revenues, Expenses and Changes in Net Position  
For Fiscal Years Ended December 31, 2017 and 2016 (continued)**

	2017	2016
<b>Non-operating revenues (expenses):</b>		
Operating assistance from the City of Cincinnati Income Tax-Transit Fund (Note 3)	\$50,534,752	\$50,242,396
Federal maintenance grants and reimbursements (Note 6)	15,400,842	15,325,217
Federal grant pass-through—City of Cincinnati Streetcar (Note 6)	0	3,769,551
Federal grant pass-through—Everybody Rides Metro Foundation (Note 6)	0	63,191
State maintenance grants, reimbursements and special fare assistance (Note 6)	766,646	780,157
Local operating grants and special fare assistance (Note 6)	6,454,089	6,276,179
Investment income, net (Note 4)	327,130	151,163
Increase (decrease) in fair value of investments	(6,292)	3,800
Non-transportation revenue	3,840,966	2,397,058
Other non-operating expenses	<u>(1,025,438)</u>	<u>(1,060,471)</u>
<b>Total</b>	<u>76,292,695</u>	<u>77,948,241</u>
<b>Net loss before capital grant activity</b>	(27,485,621)	(18,886,307)
<b>Capital grant revenue (Note 6)</b>	<u>1,326,514</u>	<u>12,320,711</u>
<b>Increase (decrease) in net position during the year</b>	(26,159,107)	(6,565,596)
<b>Net position, beginning of year</b>	<u>68,857,116</u>	<u>75,422,712</u>
<b>Net position, end of year</b>	<u>\$42,698,009</u>	<u>\$68,857,116</u>

(concluded)

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

## Southwest Ohio Regional Transit Authority

**Statements of Cash Flows**  
**For Fiscal Years Ended December 31, 2017 and 2016**

	2017	2016
<b>Cash flows from operating activities:</b>		
Receipts from fares and special service	\$22,490,532	\$23,204,942
Payments for labor and employee benefits	(64,781,395)	(65,906,687)
Payments to suppliers	(25,921,061)	(17,533,952)
Grant pass-through to subrecipients	0	(13,572,961)
Payments for claims and insurance	(969,277)	(1,094,281)
	<u>                    </u>	<u>                    </u>
<b>Net cash used in operating activities</b>	<u>(69,181,201)</u>	<u>(74,902,939)</u>
<b>Cash flows from noncapital financing activities:</b>		
Transfer from City of Cincinnati Income Tax-Transit Fund	53,140,228	48,980,266
Federal maintenance grants and reimbursements	15,403,891	5,645,226
Federal grant pass-through to subrecipients	0	13,572,961
State maintenance grants, reimbursements and special fare assistance	766,646	780,157
Other local operating assistance received	6,472,638	6,276,773
	<u>                    </u>	<u>                    </u>
<b>Net cash provided by noncapital financing activities</b>	<u>75,783,403</u>	<u>75,255,383</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital grants received:		
City of Cincinnati Income Tax-Transit Fund	2,933,785	2,332,157
Federal and other local	1,175,742	10,107,244
Additions to capital assets	(1,317,099)	(12,321,576)
	<u>                    </u>	<u>                    </u>
<b>Net cash provided by capital and related financing activities</b>	<u>2,792,428</u>	<u>117,825</u>
<b>Cash flows from investing activities:</b>		
Net cash payments from investment securities	(16,117,058)	(16,805,201)
Interest received	292,194	137,752
	<u>                    </u>	<u>                    </u>
<b>Net cash provided by (used in) investing activities</b>	<u>(15,824,864)</u>	<u>(16,667,449)</u>
<b>Net decrease in cash and cash equivalents</b>	(6,430,234)	(16,197,180)
<b>Cash and cash equivalents at beginning of year</b>	<u>7,656,205</u>	<u>23,853,385</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$1,225,971</u>	<u>\$7,656,205</u>

(continued)

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

## Southwest Ohio Regional Transit Authority

**Statements of Cash Flows**  
**For Fiscal Years Ended December 31, 2017 and 2016 (continued)**

	2017	2016
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	(\$103,778,316)	(\$96,834,548)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	15,249,474	15,389,105
Non-transportation revenue	3,840,966	2,397,058
Other non-operating expenses	(1,025,438)	(1,060,471)
Changes in assets and liabilities:		
Other receivables	(493,456)	(615,233)
Deferred outflows	(6,890,000)	(15,045,855)
Restricted - receivables for capital assistance	(78,034)	8,829
Inventory of materials and supplies	521,704	237,578
Prepaid expenses and other current assets	158,747	(39,653)
Net Pension Asset	(45,228)	(34,571)
Accounts payable	322,138	1,664,814
Capital expenditures payable	69,957	(260,370)
Accrued expenses	3,098,305	184,611
Other liabilities	261,738	37,704
Net Pension Liability	19,834,854	18,110,215
Other Post Employment Benefits	(130,361)	160,815
Deferred inflows	(663,478)	460,095
Estimated claims payable	565,227	336,938
	<u>(\$69,181,201)</u>	<u>(\$74,902,939)</u>
<b>Net cash used in operating activities</b>		
<b>Supplemental Disclosure of Noncash Activity</b>		
Increase in fair value of investments	<u>(\$6,292)</u>	<u>\$3,800</u>

(concluded)

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

Southwest Ohio Regional Transit Authority

## **Notes to the Financial Statements For the years ended December 31, 2017 and 2016**

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

#### **A. Organization**

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

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

The Authority has adopted the provisions of GASB codification. Accordingly, the accompanying financial statements include only the accounts and transactions of the Authority. Under the criteria specified in Statements No. 14, 39 and 61, the Authority has no material component units, nor is it considered a component unit of the City of Cincinnati or Hamilton County, Ohio. The Everybody Rides Metro foundation (“ERM”) does meet the criteria as a component unit of SORTA; however, its total assets, liabilities, revenues and expenses are immaterial to SORTA’s financial statements taken as a whole (see Note 13). Due to the expiration of a major federal grant, ERM is unable to continue its mission, and operations were suspended effective November 30, 2016.

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

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

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

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the economic resources measurement focus and the accrual basis of accounting. Revenues and expenses are recognized in the period earned or incurred, regardless of the timing of the related cash flows. All transactions are accounted for in a single enterprise fund. 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, 2017 and 2016 (continued)**

#### **B. Net Position Classifications**

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

- Net investment in capital assets—consisting of capital assets, net of accumulated depreciation and reduced by the outstanding balance of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted—consisting of net position, the use of which is limited by external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, constitutional provisions or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted—consisting of net position, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of "net investment in capital assets" or "restricted."

#### **C. Non-exchange Transactions**

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

#### **D. Passenger Fares**

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

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

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

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

**F. Investments**

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

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

**G. Inventory of Materials and Supplies**

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

**H. Restricted Assets**

Restricted assets consist of funds received or receivable under various federal, state and local capital grants, including the local matching share received from the City Income Tax-Transit Fund (see Note 3). These assets are restricted for capital and other project expenditures. When both restricted or unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, and then unrestricted resources as needed.

**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 \$5,000 or more are also included in capital assets, and depreciation/amortization of the cost of those assets is included in the Statements of Revenues, Expenses and Changes in Net Position. Depreciation/amortization is computed using the straight-line method over the estimated useful lives of the respective assets, as follows:

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

**J. Claims**

As described in Note 10, SORTA is self-insured for public liability, personal injury, third-party property damage, and workers’ compensation claims. SORTA recognizes a liability for such

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

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

In addition to the above, SORTA became self-funded for its health insurance program effective January 1, 2017.

**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 2017 or 2016. All operating budget amounts lapse at year end.

**M. Estimates**

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

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

The Authority considers passenger fares, special transit fares and bus advertising revenues as operating revenues. Non-operating revenues include investment and other miscellaneous income and subsidies received from federal, state and local sources. Expenses incurred for the daily operations of the transit system are considered operating expenses. Non-operating expenses include payments made to Butler County Regional Transit Authority (BCRTA), Clermont Transportation Connection (CTC) and Warren County Transit System (WCTS),

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

pursuant to agreements in which BCRTA, CTC and WCTS transferred Federal funds to SORTA in exchange for non-federal funds from SORTA in the same amount.

**O. Reclassifications**

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

**3. Federal Grants and Local Reimbursement**

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

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

**4. Cash and Investments**

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

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution, or may deposit surety company bonds

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

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 Government 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.

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned by the bank. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or may pledge a pool of government securities, the face value of which is at least 105% of the total value of public monies on deposit at the institution. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds at the Federal Reserve Bank.

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, 2017 and 2016, the Authority maintained restricted cash and cash equivalents and investments of \$9,740,953 and \$6,021,709, respectively, and unrestricted cash and cash equivalents and investments of \$26,401,227 and \$20,439,939, respectively. The total cash and investments of \$36,142,180 and \$26,461,648, respectively, consisted of \$1,225,971 and \$7,656,205, respectively, in deposits and \$34,916,209 and \$18,805,443, respectively, in investments.

At December 31, 2017, \$25,907 of the Authority's bank balance of \$1,227,450 was exposed to custodial credit risk. Certain timing issues related to fluctuations in depository balances contributed to the uncollateralized balance. These insufficiencies were corrected the next business day.

**Interest Rate Risk**

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

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**
**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 has a policy that addresses custodial credit risk. At December 31, 2017 and 2016, the carrying amount of the Authority's deposits was \$1,225,971 and \$7,656,205, respectively, and the bank balance was \$1,227,450 and \$7,655,181, respectively.

**Investments**

As of December 31, 2017 and 2016, the fair value of the Authority's investments were as follows:

	<b>2017</b>	<b>2016</b>
Star Treasury Reserve of Ohio (STAROhio)	\$19,622,764	\$10,824,013
U.S. Agency bonds	747,015	1,000,140
Commercial paper	14,546,430	6,981,290
Total investments	<u>\$34,916,209</u>	<u>\$18,805,443</u>

Investments held by the Authority at December 31, 2017 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. STAROhio does not have any minimum holding periods or withdrawal penalties.

<b>Investment Type</b>	<b>Balance</b>	<b>Not Rated</b>	<b>AAA</b>	<b>AAAm</b>	<b>Below BBB</b>
U.S. Agency bonds	\$747,015	\$ -	\$747,015	\$ -	\$ -
Star Treasury Reserve of Ohio (STAROhio)	19,622,764	-	-	19,622,764	-
Commercial paper	14,546,430	14,546,430	-	-	-
<b>Total Investments</b>	<b>\$ 34,916,209</b>	<b>\$ 14,546,430</b>	<b>\$ 747,015</b>	<b>\$ 19,622,764</b>	<b>\$ -</b>

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

The following table presents the Authority's bond and commercial paper investments as of December 31, 2017, by length of maturity.

Investment Type	Balance	Less Than	1 to 5	6 to 10	More Than
		1 Year	Years	Years	10 Years
U.S. Agency bonds	\$747,015	\$747,015	\$ -	\$ -	\$ -
Commercial paper	\$14,546,430	\$14,546,430	\$ -	\$ -	\$ -

Investments held by the Authority at December 31, 2016 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. STAROhio does not have any minimum holding periods or withdrawal penalties.

Investment Type	Balance	Not Rated	AAA	AAAm	Below BBB
U.S. Agency bonds	\$1,000,140	\$ -	\$1,000,140	\$ -	\$ -
Star Treasury Reserve of Ohio (STAROhio)	10,824,013	-	-	10,824,013	-
Commercial paper	6,981,290	6,981,290	-	-	-
<b>Total Investments</b>	<b>\$18,805,443</b>	<b>\$6,981,290</b>	<b>\$1,000,140</b>	<b>\$10,824,013</b>	<b>\$ -</b>

The following table presents the Authority's bond and commercial paper investments as of December 31, 2016, by length of maturity.

Investment Type	Balance	Less Than	1 to 5	6 to 10	More Than
		1 Year	Years	Years	10 Years
U.S. Agency bonds	\$1,000,140	\$1,000,140	\$ -	\$ -	\$ -
Commercial paper	\$6,981,290	\$6,981,290	\$ -	\$ -	\$ -

STAROhio and commercial paper are valued at amortized cost.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

The Authority categorizes its fair value measurements at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of December 31, 2017 the Authority's investments had the following recurring fair value measurements:

<b>Investment Type</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U. S. Agency bonds	\$ -	\$747,015	\$ -	\$747,015

As of December 31, 2016 the Authority's investments had the following recurring fair value measurements:

<b>Investment Type</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
U. S. Agency bonds	\$ -	\$1,000,140	\$ -	\$1,000,140

Cash, cash equivalents and investments at December 31, 2017 and 2016 consist of the following:

	2017	2016
Deposits	\$1,225,971	\$7,656,205
STAROhio	19,622,764	10,824,013
Commercial paper	14,546,430	6,981,290
U.S. Agency Bonds	<u>747,015</u>	<u>1,000,140</u>
	<u>\$36,142,180</u>	<u>\$26,461,648</u>



## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

**5. Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Deletions	Transfers	Balance December 31, 2017
Capital assets not being depreciated:					
Land	\$13,153,897	\$ -	\$ -	\$ -	\$13,153,897
Construction in progress	1,218,263	952,100	-	(131,764)	2,038,599
Total capital assets not being depreciated	<u>14,372,160</u>	<u>952,100</u>	<u>-</u>	<u>(131,764)</u>	<u>15,192,496</u>
Capital assets being depreciated:					
Buildings	1,461,241	-	-	-	1,461,241
Improvements	34,348,156	166,282	-	-	34,514,438
Revenue vehicles	154,737,356	36,192	9,185,148	-	145,588,400
Other equipment	39,879,488	170,925	15,313	131,764	40,166,864
Total capital assets being depreciated	<u>230,426,241</u>	<u>373,399</u>	<u>9,200,461</u>	<u>131,764</u>	<u>221,730,943</u>
Less accumulated depreciation:					
Buildings	634,174	36,531	-	-	670,705
Improvements	23,059,201	1,887,342	-	-	24,946,543
Revenue vehicles	83,675,275	10,897,832	9,185,148	-	85,387,959
Other equipment	30,717,238	2,427,769	6,913	-	33,138,094
Total accumulated depreciation	<u>138,085,888</u>	<u>15,249,474</u>	<u>9,192,061</u>	<u>-</u>	<u>144,143,301</u>
Total capital assets being depreciated, net	<u>92,340,353</u>	<u>(14,876,075)</u>	<u>8,400</u>	<u>131,764</u>	<u>77,587,642</u>
Total capital assets, net	<u>\$106,712,513</u>	<u>(\$13,923,975)</u>	<u>\$8,400</u>	<u>\$ -</u>	<u>\$92,780,138</u>

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Deletions	Transfers	Balance December 31, 2016
Capital assets not being depreciated:					
Land	\$13,153,897	\$ -	\$ -	\$ -	\$13,153,897
Construction in progress	112,739	1,105,524	-	-	1,218,263
Total capital assets not being depreciated	<u>13,266,636</u>	<u>1,105,524</u>	<u>-</u>	<u>-</u>	<u>14,372,160</u>
Capital assets being depreciated:					
Buildings	1,461,241	-	-	-	1,461,241
Improvements	34,320,642	33,467	5,953	-	34,348,156
Revenue vehicles	150,226,917	10,628,984	6,118,545	-	154,737,356
Other equipment	39,861,336	601,559	583,407	-	39,879,488
Total capital assets being depreciated	<u>225,870,136</u>	<u>11,264,010</u>	<u>6,707,905</u>	<u>-</u>	<u>230,426,241</u>
Less accumulated depreciation:					
Buildings	597,643	36,531	-	-	634,174
Improvements	21,131,498	1,931,775	4,072	-	23,059,201
Revenue vehicles	78,834,778	10,919,138	6,078,641	-	83,675,275
Other equipment	28,757,363	2,501,661	541,786	-	30,717,238
Total accumulated depreciation	<u>129,321,282</u>	<u>15,389,105</u>	<u>6,624,499</u>	<u>-</u>	<u>138,085,888</u>
Total capital assets being depreciated, net	<u>96,548,854</u>	<u>(4,125,095)</u>	<u>83,406</u>	<u>-</u>	<u>92,340,353</u>
Total capital assets, net	<u>\$109,815,490</u>	<u>(\$3,019,571)</u>	<u>\$83,406</u>	<u>\$ -</u>	<u>\$106,712,513</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, 2017) had been owned by SORTA, the provision for depreciation for the years ended December 31, 2017 and 2016 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, 2017 and 2016 (continued)**
**6. Grants, Reimbursements, and Special Fare Assistance**

Grants, reimbursements, and special fare assistance included in the Statements of Revenues, Expenses and Changes in Net Position for the years ended December 31, 2017 and 2016 consist of the following:

	2017	2016
<b>Non-operating revenues:</b>		
<b>Federal:</b>		
FTA-Maintenance and other assistance	<u>\$15,400,842</u>	<u>\$15,325,217</u>
FTA-grant pass-through--City of Cincinnati Streetcar	<u>\$0</u>	<u>\$3,769,551</u>
FTA-grant pass-through--Everybody Rides Metro	<u>\$0</u>	<u>\$63,191</u>
<b>State:</b>		
ODOT-Fuel tax reimbursement	<u>\$766,646</u>	<u>\$780,157</u>
<b>Local:</b>		
Cincinnati Board of Education contract	\$5,877,358	\$5,665,632
Other	<u>576,731</u>	<u>610,547</u>
Total	<u>\$6,454,089</u>	<u>\$6,276,179</u>
<b>Capital grant revenue:</b>		
Federal	\$699,004	\$8,950,342
Local	<u>627,510</u>	<u>3,370,369</u>
Total	<u>\$1,326,514</u>	<u>\$12,320,711</u>

**7. Lease Commitments**

SORTA leases its administrative offices and certain park-and-ride facilities under lease agreements which are accounted for as operating leases. Rent expense under these leases, which includes certain short-term leases, was approximately \$527,395 in 2017 and \$507,284 in 2016. At December 31, 2017, the minimum future payments under leases with terms extending beyond one year are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$303,113
2019	275,900
2020	248,381
2021	221,022
2022	153,855
2023-2027	415,849
2028-2032	383,463
2033-2037	-
Total	<u>\$2,001,583</u>

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

**8. Defined Benefit Pension Plan**

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions are provided to an employee on a deferred-payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Authority's obligation for this liability to annually required payments. The Authority cannot control benefit terms or the manner in which pensions are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

*Plan Description - Ohio Public Employees Retirement System (OPERS)*

Authority employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features, while members (e.g. Authority employees) may elect the member-directed plan and the combined plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

*Funding Policy*

The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	2017	2016
<b>Statutory Maximum Contribution Rates</b>		
Employer	14.0%	14.0%
Employee	10.0%	10.0%
<b>Actual Contribution Rates</b>		
Employer:		
Pension	13.0%	12.0%
Post-employment Health Care Benefits	1.0%	2.0%
Total Employer	<u>14.0%</u>	<u>14.0%</u>
Employee	<u>10.0%</u>	<u>10.0%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payrolls. The Authority's contractually required contribution was approximately \$6,096,000 for 2017 and \$5,689,000 for 2016. All required contributions have been paid.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

The 2017 net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 2017 OPERS total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2017		2016	
	Traditional	Combined	Traditional	Combined
Proportionate Share of the Net Pension Liability (Asset)	\$80,688,946	(\$208,305)	\$60,854,092	(\$163,077)
Proportion of the Net Pension Liability	0.355328%	0.374267%	0.351326%	0.335120%
Pension Expense	\$17,130,438	\$150,494	\$8,550,535	\$85,986

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional</u>	<u>Combined</u>
<b>Deferred Outflows of Resources</b>		
Differences between expected and actual experience	\$109,368	\$0
Net difference between projected and actual earnings on pension plan investments	12,016,446	50,823
Change in assumptions	12,798,255	\$50,768
Changes in proportion and differences between Authority contributions and proportionate share of contributions	(11,027)	(1,228)
Authority contributions subsequent to the measurement date	5,928,590	167,723
Total Deferred Outflows of Resources	\$30,841,632	\$268,086
<b>Deferred Inflows of Resources</b>		
Net difference between expected and actual experience	\$480,220	\$106,535

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Traditional</u>	<u>Combined</u>
<b>Deferred Outflows of Resources</b>		
Net difference between projected and actual earnings on pension plan investments	\$17,887,301	\$70,410
Changes in proportion and differences between Authority contributions and proportionate share of contributions	552,243	20,473
Authority contributions subsequent to the measurement date	5,514,469	174,822
Total Deferred Outflows of Resources	\$23,954,013	\$265,705
<b>Deferred Inflows of Resources</b>		
Net difference between expected and actual experience	\$1,175,819	\$74,414

Amounts reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

Fiscal Year Ending December 31:	<u>Traditional</u>	<u>Combined</u>
2018	\$10,078,088	\$12,325
2019	10,437,143	12,325
2020	4,269,664	9,579
2021	(352,073)	(12,905)
2022	-	(10,532)
Thereafter	-	(16,964)
<b>Total</b>	<b>\$24,432,822</b>	<b>(\$6,172)</b>

*Actuarial Assumptions – OPERS*

OPERS’ total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Traditional</u>	<u>Combined</u>
Wage Inflation	3.25%	3.25%
Future Salary Increases, Including Inflation	3.25% – 10.75%	3.25% - 8.75%
Cost-of-Living Adjustment	3% Simple	3% Simple
Investment Rate of Return	7.50%	7.50%
Actuarial Cost Method	Individual entry age	Individual entry age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled male mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015.



## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015 and 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The tables below displays the Board-approved asset allocation policy for 2016 and 2015 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation for 2016</u>	<u>Weighted Average Long Term Expected Real Rate of Return</u>
Fixed Income	23.00%	2.75%
Domestic Equities	20.70%	6.34%
Real Estate	10.00%	4.75%
Private Equity	10.00%	8.97%
International Equities	18.30%	7.95%
Other Investments	18.00%	4.92%
TOTAL	100.00%	5.66%

<u>Asset Class</u>	<u>Target Allocation for 2015</u>	<u>Weighted Average Long Term Expected Real Rate of Return</u>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investments	18.00%	4.59%
TOTAL	100.00%	5.27%

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent (8.00 percent in 2016). The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute.

Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

2017:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability			
- Traditional Pension Plan	\$123,270,390	\$80,688,946	\$45,204,828
- Combined Plan	\$14,971	(\$208,305)	(\$381,752)

2016:	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Authority's proportionate share of the net pension liability			
- Traditional Pension Plan	\$96,955,436	\$60,854,092	\$30,403,752
- Combined Plan	(\$3,351)	(\$163,077)	(\$291,554)

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

**9. Postemployment Benefits**

*Plan Description - Ohio Public Employees Retirement System (OPERS)*

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan - a defined contribution plan; and the Combined Plan - a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

*Funding Policy*

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017 and 2016 the Authority contributed at a rate of 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan. OPERS' Post-Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contribution allocated to the health care plan was 1.0 percent during 2017 and 2.0 percent during 2016. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. The Authority's contributions to OPERS for other post-employment benefits for

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

the years ended December 31, 2017, 2016, and 2015 were \$1,388,000, \$1,444,000 and \$934,000, respectively, equal to 100% of the required contributions for each year.

Changes to the health care plan were adopted by OPERS Board of Trustees on September 19, 2012, with transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 2% of the employer contribution toward the health care fund after the end of the transition period. For 2017, OPERS has announced the funding allocation will be 13% allocated to pension and 1% allocated to health care funding.

*Other Benefits Provided*

In addition to the other postemployment benefits provided by OPERS, SORTA also provides a \$2,000 life insurance benefit to each retired hourly employee.

GASB Statement No. 45, "Accounting and Financial Reporting by Employers For Postemployment Benefits Other Than Pensions," provides the authoritative guidance regarding how governmental entities should account for and report the costs and obligations associated with these benefits. The Authority's accounting and reporting for these benefits is not materially different from the guidance in GASB No. 45. Further explanation of the accounting treatment of these benefits is presented below.

The life insurance benefits are provided through group insurance arrangements which are funded by SORTA through payment of monthly insurance premiums. As of December 31, 2017, 496 individuals were eligible to receive life insurance benefits.

On its balance sheets as of December 31, 2017 and 2016, SORTA has recorded an accrued liability for life insurance benefits of \$816,500 and \$946,861, respectively. These liabilities represent the present value of the estimated future life insurance premiums that are expected to be paid for retirees who were eligible for benefits as of each of the dates indicated. The liability for life insurance benefits includes a provision for estimated amounts which will be paid for existing employees.

These liabilities were determined based on the following assumptions:

	2017		2016
Future annual increases in life insurance premiums	2.10%		2.10%
Remaining life expectancy* - Life	15.9 yrs		16.3 yrs
Interest factor	1.90%		1.20%

\*Based on U.S. National Center for Health Statistics, Vital Statistics of the U.S. 2014 (most recent available).

The total provision recognized by the Authority for postemployment benefits not provided under OPERS was approximately (\$97,000) credit and \$199,000 expense for the years ended December 31, 2017 and 2016, respectively.

## Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**
**10. 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.

On January 1, 1995, the Authority became self-insured for workers' compensation benefits. Prior to 1995, SORTA was insured through the State of Ohio for workers' compensation benefits. The State of Ohio Bureau of Workers' Compensation continues to be liable for all claims prior to January 1, 1995. As shown below, the estimated amount due for workers' compensation claims is included in the accrual for estimated claims payable. SORTA carries liability insurance to cover any workers' compensation claim in excess of \$250,000 through December 31, 2001, \$350,000 through December 31, 2002, \$400,000 through January 31, 2011, and \$500,000 thereafter. The workers' compensation liability includes an amount for claims that may have been incurred but not reported. The claims liability has been calculated on an actuarial basis considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic factors. The present value of the workers' compensation liability is calculated using an interest rate of 1.9%.

The changes in the liabilities for self-insured risks for the years ended December 31, 2017, 2016 and 2015 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Public Liability and</u> <u>Property Damage</u>	<u>Total</u>
Balance, January 1, 2015	\$4,563,142	\$391,860	\$4,955,002
Claims, net of changes in estimates	609,974	179,521	789,495
Payments	(836,689)	(134,251)	(970,940)
Balance, December 31, 2015	<u>4,336,427</u>	<u>437,130</u>	<u>4,773,557</u>
Claims, net of changes in estimates	521,709	909,509	1,431,218
Payments	(773,616)	(320,664)	(1,094,280)
Balance, December 31, 2016	<u>4,084,520</u>	<u>1,025,975</u>	<u>5,110,495</u>
Claims, net of changes in estimates	711,351	823,152	1,534,503
Payments	(797,936)	(171,340)	(969,276)
Balance, December 31, 2017	<u>\$3,997,935</u>	<u>\$1,677,787</u>	<u>\$5,675,722</u>

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

The liabilities above represent the Authority's best estimates based upon available information. Settled claims have not exceeded the Authority's commercial insurance coverage for any of the past three years.

On January 1, 2017, the Authority became self-funded for health insurance. This plan assumes a \$1.6 million specific stop loss and a \$300,000 stop loss for the group.

**11. Contingencies and Commitments**

**A. Litigation and Claims**

It is the Authority's policy, within certain limits (see Note 10), to act as self-insurer for certain insurable risks consisting primarily of public liability, property damage, and workers' compensation. As of December 31, 2017, SORTA had been named in various public liability and property damage claims and suits, some of which seek significant damages. The ultimate outcome of those matters cannot be determined; however, it is the opinion of management that any resulting liability to the Authority in excess of the amount provided for in the accompanying balance sheets, and which is not covered by insurance, will not have a material adverse effect on the Authority's financial position.

**B. Federal and State Grants**

Under the terms of the Authority's various grants, periodic audits are required where certain costs could be questioned as not being eligible expenditures under the terms of the grants. At December 31, 2017, 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.

**12. Energy Forward Pricing Mechanisms**

Pursuant to Attorney General Opinion No.89-080 dated October 16, 1989, SORTA may enter into forward pricing mechanisms (e.g., commodity-type futures, options, contracts, etc.) as a budget risk reduction tool to manage price variability and cost/budget uncertainty associated with the purchase of Authority-consumed energy (e.g., diesel fuel). Since May 2006, SORTA has hedged its diesel consumption (approximately 3 million gallons per year) with Energy Forward Pricing Mechanisms (EFPM). This program's objective is to manage a large portion of Metro's exposure to fuel price swings. EFPMs may be comprised of any single or combined use of futures, options, options on futures, or fixed price delivery contracts. In 2017 and 2016, 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. Additionally, a dynamic strategy using futures will also enhance SORTA's ability to maintain a relatively static forward pricing profile. What this means is that at any point in time, SORTA's fuel supply will be 90% hedged for each of the next 12 to 24 months and 50% for each of the next 25 to 36 months. The initial value of each contract is zero. The price of diesel

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

fuel purchased any day is the published Cincinnati rack price for the prior day plus or minus a differential agreed to through a competitive bidding process. The differential to the published Cincinnati rack price was \$0.0157 per gallon and (\$0.0019) per gallon at December 31, 2017 and 2016, respectively.

When fuel is purchased, contracts are exercised, thereby effectively tying the fuel price to the price of #2 heating oil as of the date of the contract's creation. For the years ending December 31, 2017 and 2016, losses of \$1,114,172 (39.2 cents per gallon) and \$2,721,152 (93.8 cents per gallon), respectively, were recognized as an increase in diesel fuel expense. On December 31, 2017 and 2016, the remaining open contracts had \$1,054,297 of unrealized gains and \$821,831 of unrealized losses, respectively. There is no debt associated with these contracts and unrealized losses are fully funded.

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

**13. Everybody Rides Metro**

In 2006, the Authority formed "Everybody Rides Metro" ("ERM"), a charitable foundation authorized under section 501(c)3 of the Internal Revenue Code and registered in Ohio and Kentucky. The foundation was formed to provide transportation fare subsidies to poor or disabled individuals by underwriting fares and to aid SORTA in acquiring advanced technology to improve the environment and/or reduce the cost of bus transportation. The revenues of ERM are derived from grants and donations. The foundation meets the criteria for a "discretely presented component unit" as defined in GASB Statement No. 14, "The Financial Reporting Entity." However, since ERM's total assets and liabilities as of December 31, 2017 and 2016, and revenue and expenses for the years then ended are immaterial to the Authority's basic financial statements, ERM financial information is not included as a discretely presented component unit in the Authority's basic financial statements. Due to the expiration of a major federal grant, ERM is unable to continue its mission without additional grant funding. Management has decided to suspend operations effective November 30, 2016. ERM will remain active and will resume operations if additional funding becomes available.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements  
For the years ended December 31, 2017 and 2016 (continued)**

**14. New Accounting Pronouncements**

In November, 2016, the GASB issued Statement No. 83, "Certain Asset Retirement Obligations." This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This statement will not be effective for SORTA until the year ended December 31, 2019, and as such, the Authority has not yet determined the impact that this statement will have on its financial statements.

In January, 2017, the GASB issued Statement No. 84, "Fiduciary Activities." This statement establishes criteria for identifying fiduciary activities of all state and local governments. This statement will not be effective for SORTA until the year ended December 31, 2019, and as such, the Authority has not yet determined the impact that this statement will have on its financial statements.

In March, 2017, the GASB issued Statement No. 85, "Omnibus 2017." The objective of this statement is to address a variety of practice issues that have been identified during the implementation of certain prior GASB statements. This statement will not be effective for SORTA until the year ended December 31, 2018, and as such, the Authority has not yet determined the impact that this statement will have on its financial statements.

In May, 2017, the GASB issued Statement No. 86, "Certain Debt Extinguishment Issues." The objective of this statement is to improve consistency in financial reporting for in-substance defeasance of debt. This statement will not be effective for SORTA until the year ended December 31, 2018, and as such, the Authority has not yet determined the impact that this statement will have on its financial statements.

In June, 2017, the GASB issued Statement No. 87, "Leases." The objective of this statement is to improve financial reporting for leases. This statement will not be effective for SORTA until the year ended December 31, 2020, and as such, the Authority has not yet determined the impact that this statement will have on its financial statements.



Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements**  
**For the years ended December 31, 2017 and 2016 (continued)**

**15. Cincinnati Bell Connector/Cincinnati Streetcar Operations**

In 2014, the Authority and the City of Cincinnati entered into an Operations and Maintenance Intergovernmental Agreement (OMIGA) whereby the Authority would manage the Cincinnati Bell Connector (streetcar), a new mode of transit owned by the City. As part of this agreement, the Authority will receive from the City funds to cover the daily operations of the streetcar, as well as other direct costs, administrative costs, and overhead. The Authority will collect and retain all passenger fares in segregated bank accounts maintained for this purpose. This agreement has no bearing on the City Income Tax-Transit Fund agreement with the City as discussed in Note 3.

In 2015, the Authority and Transdev Services, Inc. (Transdev) entered into an agreement, whereby Transdev would operate and maintain the streetcar. Under the terms of this agreement, Transdev would receive a \$1,100,000 fixed fee during the startup period from August, 2015 through August, 2016, and approximately \$17,375,000 over a base five year period from September, 2016 through August, 2021. There is an option of renewing the agreement for five one-year extensions for approximately \$19,850,000 over the period from September, 2021 through August, 2026.

The streetcar commenced revenue service on September 9, 2016.

During 2017 and 2016, various revenues and expenses relating to the operations of the streetcar have been included in the Statement of Revenues, Expenses and Changes in Net Position as required by GAAP. Additionally, various assets and liabilities have been included in the Statement of Net Position as of December 31, 2017 and 2016.

SORTA, as required under the OMIGA, maintains separate accounting records for monthly and year-to-date operations reporting purposes and furnishes such each month to both the Authority's Board of Trustees and the City. These reports, as well as internal policies and practices, allow the income and expenses as related to streetcar operations to be managed separate and apart from those of SORTA.

Southwest Ohio Regional Transit Authority

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY-  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – TRADITIONAL PLAN  
LAST FOUR YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.355328%	0.351326%	0.354394%	0.354394%
Authority's Proportionate Share of the Net Pension Liability	\$80,688,946	\$60,854,092	\$42,743,877	\$41,778,435
Authority's Covered Payroll	\$49,404,917	\$45,953,908	\$50,985,667	\$50,690,058
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	163.32%	132.42%	83.84%	82.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		81.08%	86.45%	86.36%

Amounts presented as of the Authority's measurement date which is the prior fiscal year end.

(1) Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

Southwest Ohio Regional Transit Authority

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION ASSET-**  
**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – COMBINED PLAN**  
**LAST FOUR YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Asset	0.374267%	0.33512%	0.333761%	0.333761%
Authority's Proportionate Share of the Net Pension Asset	\$208,305	\$163,077	\$128,506	\$35,022
Authority's Covered Payroll	\$1,397,692	\$1,456,850	\$1,415,300	\$1,363,792
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	14.90%	11.19%	9.08%	2.57%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset		116.90%	114.83%	105.00%

Amounts presented as of the Authority's measurement date which is the prior fiscal year end.

(1) Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

Southwest Ohio Regional Transit Authority

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL PLAN  
LAST FIVE YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$5,928,590	\$5,514,469	\$6,118,280	\$6,082,807	\$5,840,773
Contributions in Relation to the Contractually Required Contribution	<u>(5,928,590)</u>	<u>(5,514,469)</u>	<u>(6,118,280)</u>	<u>(6,082,807)</u>	<u>(5,840,773)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority's Covered Payroll	\$45,604,538	\$49,404,917	\$45,953,908	\$50,985,667	\$50,690,058
Contributions as a Percentage of Covered Payroll	13%	11%	13%	12%	12%

(1) Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

Southwest Ohio Regional Transit Authority

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – COMBINED PLAN  
LAST FIVE YEARS (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$167,723	\$174,822	\$169,836	\$163,655	\$145,565
Contributions in Relation to the Contractually Required Contribution	<u>(167,723)</u>	<u>(174,822)</u>	<u>(169,836)</u>	<u>(163,655)</u>	<u>(145,565)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Authority's Covered Payroll	\$1,290,177	\$1,397,692	\$1,456,850	\$1,415,300	\$1,363,792
Contributions as a Percentage of Covered Payroll	13%	13%	12%	12%	11%

(1) Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for only those years for which information is available.

## Southwest Ohio Regional Transit Authority

**Supplemental Schedule of Revenues, Expenses and Changes in Net Position—  
Budget and Actual (GAAP Basis)  
For the year ended December 31, 2017**

	<u>Budget</u>	<u>Actual</u>	<b>Variance Positive (Negative)</b>
<b>Operating revenues</b>	\$21,438,649	\$22,596,059	\$1,157,410
<b>Operating expenses other than depreciation and amortization:</b>			
Labor	45,279,740	44,250,554	1,029,186
Fringe benefits	24,566,372	35,823,937	(11,257,565)
Materials and supplies consumed	12,212,791	12,179,285	33,506
Services	4,976,856	5,308,932	(332,076)
Utilities	1,259,300	1,201,329	57,971
Casualty and liability	694,931	844,264	(149,333)
Taxes	820,635	817,564	3,071
Purchased transportation services	6,161,406	9,277,123	(3,115,717)
Leases and rentals	744,922	654,154	90,768
Miscellaneous	891,590	767,759	123,831
<b>Total</b>	<u>97,608,543</u>	<u>111,124,901</u>	<u>(13,516,358)</u>
<b>Depreciation and amortization</b>	<u>15,249,474</u>	<u>15,249,474</u>	<u>-</u>
<b>Total operating expenses</b>	<u>112,858,017</u>	<u>126,374,375</u>	<u>(13,516,358)</u>
<b>Operating loss</b>	<u>(91,419,368)</u>	<u>(103,778,316)</u>	<u>(12,358,948)</u>
<b>Non-operating revenues:</b>			
Local operating grants and special fare assistance	61,803,303	56,988,841	(4,814,462)
Federal maintenance grants and reimbursements	12,656,756	15,400,842	2,744,086
State maintenance grants, reimbursements and special fare assistance	777,454	766,646	(10,808)
Investment income-net	215,748	327,130	111,382
Increase in fair value of investments	-	(6,292)	(6,292)
Non-transportation revenue	716,634	3,840,966	3,124,332
Other non-operating expenses	(1,025,438)	(1,025,438)	-
<b>Total</b>	<u>75,144,457</u>	<u>76,292,695</u>	<u>1,148,238</u>
<b>Net loss before capital grant activity</b>	<u>(16,274,911)</u>	<u>(27,485,621)</u>	<u>(11,210,710)</u>
<b>Capital grant revenue</b>	<u>11,571,214</u>	<u>1,326,514</u>	<u>(10,244,700)</u>
<b>Decrease in net position during the year</b>	<u>(4,703,697)</u>	<u>(26,159,107)</u>	<u>(21,455,410)</u>
<b>Net position, beginning of year</b>	<u>68,857,116</u>	<u>68,857,116</u>	<u>-</u>
<b>Net position, end of year</b>	<u>\$64,153,419</u>	<u>\$42,698,009</u>	<u>(\$21,455,410)</u>

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page(s)</b>
<b>Financial Trends</b> .....	<b>58-65</b>
These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b> .....	<b>66</b>
This schedule contains information to help the reader assess the Authority's most significant local revenue source, the City of Cincinnati Income Tax Transit Fund.	
<b>Debt Capacity</b> .....	<b>67</b>
These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.	
<b>Economic and Demographic Information</b> .....	<b>68-69</b>
These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority's financial activities take place.	
<b>Operating Information</b> .....	<b>70-77</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.	

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Operating revenues</b>										
Passenger fares for transit service	\$22,964	\$21,976	\$23,211	\$22,778	\$23,387	\$23,495	\$22,904	\$21,859	\$21,220	\$20,623
Special transit fares	474	439	689	717	668	728	817	871	921	982
Auxiliary transportation revenue	538	603	409	585	598	574	540	666	907	991
<b>Total operating revenues</b>	<b>23,976</b>	<b>23,018</b>	<b>24,309</b>	<b>24,081</b>	<b>24,653</b>	<b>24,797</b>	<b>24,262</b>	<b>23,396</b>	<b>23,048</b>	<b>22,596</b>
<b>Non-operating revenues</b>										
Operating assistance from the City of Cincinnati										
Income Tax-Transit Fund	43,036	41,369	36,679	37,457	41,625	42,978	44,417	47,340	50,242	50,535
Federal maintenance grants and reimbursements	12,902	19,589	15,701	15,404	15,082	15,521	17,193	14,764	15,325	15,401
Federal grant pass-through	826	2,989	351	271	244	5,368	21,983	13,545	3,833	0
State maintenance grants and reimbursements and special fare assistance	2,050	1,701	1,248	862	807	804	784	790	780	767
Local operating grants and fare assistance	7,383	7,639	7,351	7,167	7,209	6,413	6,617	6,442	6,276	6,454
Investment income, net	1,153	496	611	236	147	88	107	118	151	327
Increase (decrease) in fair value of investments	309	(444)	(507)	(46)	2	(15)	5	12	4	(6)
Non-transportation revenue	627	629	690	673	392	657	476	1,114	2,397	3,841
<b>Total non-operating revenues</b>	<b>68,286</b>	<b>73,968</b>	<b>62,124</b>	<b>62,024</b>	<b>65,508</b>	<b>71,814</b>	<b>91,581</b>	<b>84,126</b>	<b>79,009</b>	<b>77,318</b>
<b>Total Revenues</b>	<b>92,262</b>	<b>96,986</b>	<b>86,433</b>	<b>86,105</b>	<b>90,161</b>	<b>96,611</b>	<b>115,843</b>	<b>107,522</b>	<b>102,057</b>	<b>99,914</b>
<b>Operating expenses</b>										
Labor	40,717	41,368	38,284	39,632	40,470	41,135	42,660	42,947	43,689	44,251
Fringe benefits	19,938	20,096	19,395	18,725	20,699	21,552	21,986	19,756	25,835	35,824
Materials and supplies consumed	15,618	16,779	12,663	12,713	15,148	14,793	14,954	14,677	12,735	12,179
Services	3,766	3,738	3,726	3,371	3,408	3,486	3,799	4,553	6,537	5,309
Utilities	1,916	1,807	1,868	1,602	1,402	1,475	1,519	1,435	1,108	1,201
Casualty and liability	486	954	1,769	804	515	67	(19)	14	788	844
Taxes	1,027	961	853	851	862	846	865	842	830	818
Purchased transportation services	5,977	6,058	5,475	5,465	5,522	5,136	5,424	6,131	7,768	9,277
Leases and rentals	534	457	503	547	568	588	647	596	613	654
Miscellaneous	526	388	627	561	681	921	790	652	758	768
Grant pass-through	826	2,989	351	271	244	5,368	21,983	13,545	3,833	0
Depreciation and amortization	11,281	11,109	11,485	10,608	13,804	14,449	14,191	14,783	15,389	15,249
<b>Total operating expenses</b>	<b>102,612</b>	<b>106,704</b>	<b>96,999</b>	<b>95,150</b>	<b>103,322</b>	<b>109,815</b>	<b>128,797</b>	<b>119,930</b>	<b>119,883</b>	<b>126,374</b>
Non-operating expenses	931	1,392	1,147	1,575	852	1,300	1,420	1,117	1,060	1,025
<b>Total Expenses</b>	<b>103,543</b>	<b>108,096</b>	<b>98,146</b>	<b>96,725</b>	<b>104,174</b>	<b>111,115</b>	<b>130,217</b>	<b>121,047</b>	<b>120,944</b>	<b>127,400</b>

(continued)



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Capital grant revenue	10,212	31,186	9,641	22,023	21,788	20,708	3,836	20,804	12,321	1,327
<b>Increase (decrease) in net position</b>	<b>(\$1,069)</b>	<b>\$20,076</b>	<b>(\$2,072)</b>	<b>\$11,403</b>	<b>\$7,774</b>	<b>\$6,204</b>	<b>(\$10,538)</b>	<b>\$7,278</b>	<b>(\$6,566)</b>	<b>(\$26,159)</b>
Net position at year-end										
Net investment in capital assets	\$60,528	\$85,627	\$88,555	\$99,958	\$107,659	\$114,077	\$103,449	\$109,815	\$106,713	\$92,780
Restricted	4,394	3,662	746	4,350	2,238	6,053	7,098	494	312	555
Unrestricted	5,871	1,581	(503)	(4,107)	(1,921)	(5,951)	(6,906)	(34,886)	(38,168)	(50,637)
<b>Total net position</b>	<b>\$70,794</b>	<b>\$90,870</b>	<b>\$88,797</b>	<b>\$100,201</b>	<b>\$107,975</b>	<b>\$114,179</b>	<b>\$103,641</b>	<b>\$75,423</b>	<b>\$68,857</b>	<b>\$42,698</b>

Source: SORTA's audited financial statements for each year. Some balances may have been reclassified to conform with the current year's presentation.

Note: The 2015 net position reflects a \$35,497 adjustment related to the adoption of GASB 68.

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

6 Southwest Ohio Regional Transit Authority

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Operating Revenues</b>										
Passenger fares for transit service (1)	\$30,763	\$29,837	\$30,669	\$30,001	\$30,596	\$29,909	\$29,522	\$28,301	\$27,496	\$27,077
Special transit fares	474	439	689	717	668	728	817	871	921	982
Auxiliary transportation revenue	538	603	409	585	598	574	540	666	907	991
<b>Total operating revenues</b>	<b>31,775</b>	<b>30,879</b>	<b>31,767</b>	<b>31,303</b>	<b>31,862</b>	<b>31,211</b>	<b>30,879</b>	<b>29,838</b>	<b>29,325</b>	<b>29,050</b>
<b>Non-Operating Revenues</b>										
Operating assistance from the City of Cincinnati										
Income Tax- Transit Fund	43,036	41,369	36,679	37,457	41,625	42,978	44,417	47,340	50,242	50,535
Federal grants and reimbursements (1)	12,902	19,589	15,701	15,404	15,082	15,521	17,193	14,764	15,325	15,401
Federal grant pass-through: Cincinnati Zoo Transit Hub	728	2,765	0	0	0	0	0	0	0	0
Federal grant pass-through: City of Cincinnati Streetcar	0	0	0	0	0	5,096	21,731	13,355	3,770	0
Federal grant pass-through: Everybody Rides Metro	98	224	351	271	244	272	252	190	63	0
State grants and reimbursements (1)	1,634	1,479	1,141	806	807	804	784	790	780	767
Investment income	1,462	52	104	190	149	73	112	130	155	321
Non-transportation revenues	627	630	690	673	392	657	476	1,114	2,397	3,841
<b>Total non-operating revenues</b>	<b>60,487</b>	<b>66,108</b>	<b>54,666</b>	<b>54,801</b>	<b>58,299</b>	<b>65,401</b>	<b>84,964</b>	<b>77,683</b>	<b>72,732</b>	<b>70,864</b>
<b>Total Revenues</b>	<b>\$92,262</b>	<b>\$96,987</b>	<b>\$86,433</b>	<b>\$86,104</b>	<b>\$90,161</b>	<b>\$96,612</b>	<b>\$115,843</b>	<b>\$107,521</b>	<b>\$102,057</b>	<b>\$99,914</b>

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

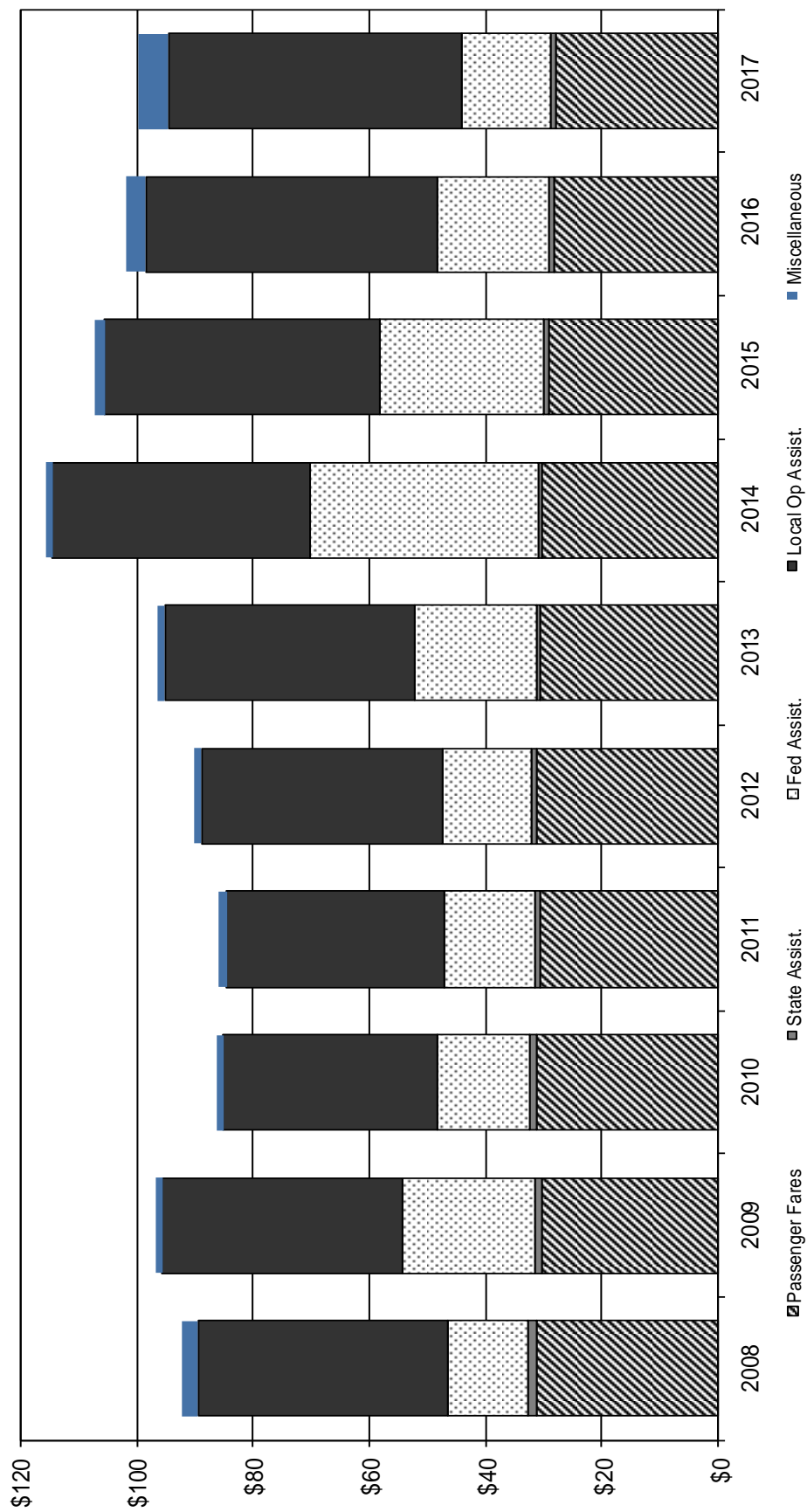
Totals may not be mathematically accurate as displayed due to rounding.

Source: Derived from SORTA's independently audited annual financial statements, except for passenger revenue, and State grants and reimbursements.

Note 1: For purposes of the table above, Passenger Fares include farebox revenues, along with subsidies received from FTA, ODOT, Cincinnati Public Schools, and certain government units to support farebox discounts offered at certain times during the year. Subsidies are classified as Non-Operating Revenues in the Authority's Basic Financial Statements.

Southwest Ohio Regional Transit Authority

Revenues by Source – Last Ten Years  
(dollars in millions)



Southwest Ohio Regional Transit Authority

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

TRANSPORTATION INDUSTRY (1):

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
2008	31.2%	6.4%	37.6%	55.3%	7.1%	62.4%	100.0%
2009	31.5%	5.9%	37.4%	54.4%	8.2%	62.6%	100.0%
2010	32.1%	5.4%	37.5%	53.1%	9.4%	62.5%	100.0%
2011	32.8%	4.9%	37.7%	52.5%	9.8%	62.3%	100.0%
2012	32.5%	4.6%	37.1%	54.0%	8.9%	62.9%	100.0%
2013	32.5%	3.8%	36.3%	54.8%	8.9%	63.7%	100.0%
2014	32.0%	3.9%	35.9%	55.5%	8.6%	64.1%	100.0%
2015	*	*	38.0%	54.0%	8.0%	62.0%	100.0%
2016	*	*	*	*	*	*	*
2017	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY:

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
2008	33.9%	2.8%	36.7%	48.4%	14.9%	63.3%	100.0%
2009	31.2%	1.3%	32.5%	44.2%	23.3%	67.5%	100.0%
2010	36.3%	1.3%	37.6%	43.8%	18.6%	62.4%	100.0%
2011	35.7%	1.7%	37.4%	44.4%	18.2%	62.6%	100.0%
2012	34.7%	1.3%	36.0%	47.0%	17.0%	64.0%	100.0%
2013	31.7%	1.4%	33.1%	45.3%	21.6%	66.9%	100.0%
2014	26.2%	1.0%	27.2%	39.0%	33.8%	72.8%	100.0%
2015	27.2%	1.4%	28.6%	45.0%	26.4%	71.4%	100.0%
2016	27.8%	3.4%	31.2%	50.0%	18.8%	68.8%	100.0%
2017	28.1%	5.2%	33.3%	51.3%	15.4%	66.7%	100.0%

\*Information is not available

(1) Source: The American Public Transit Association, "APTA 2016 Public Transportation Fact Book".

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

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

Southwest Ohio Regional Transit Authority

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

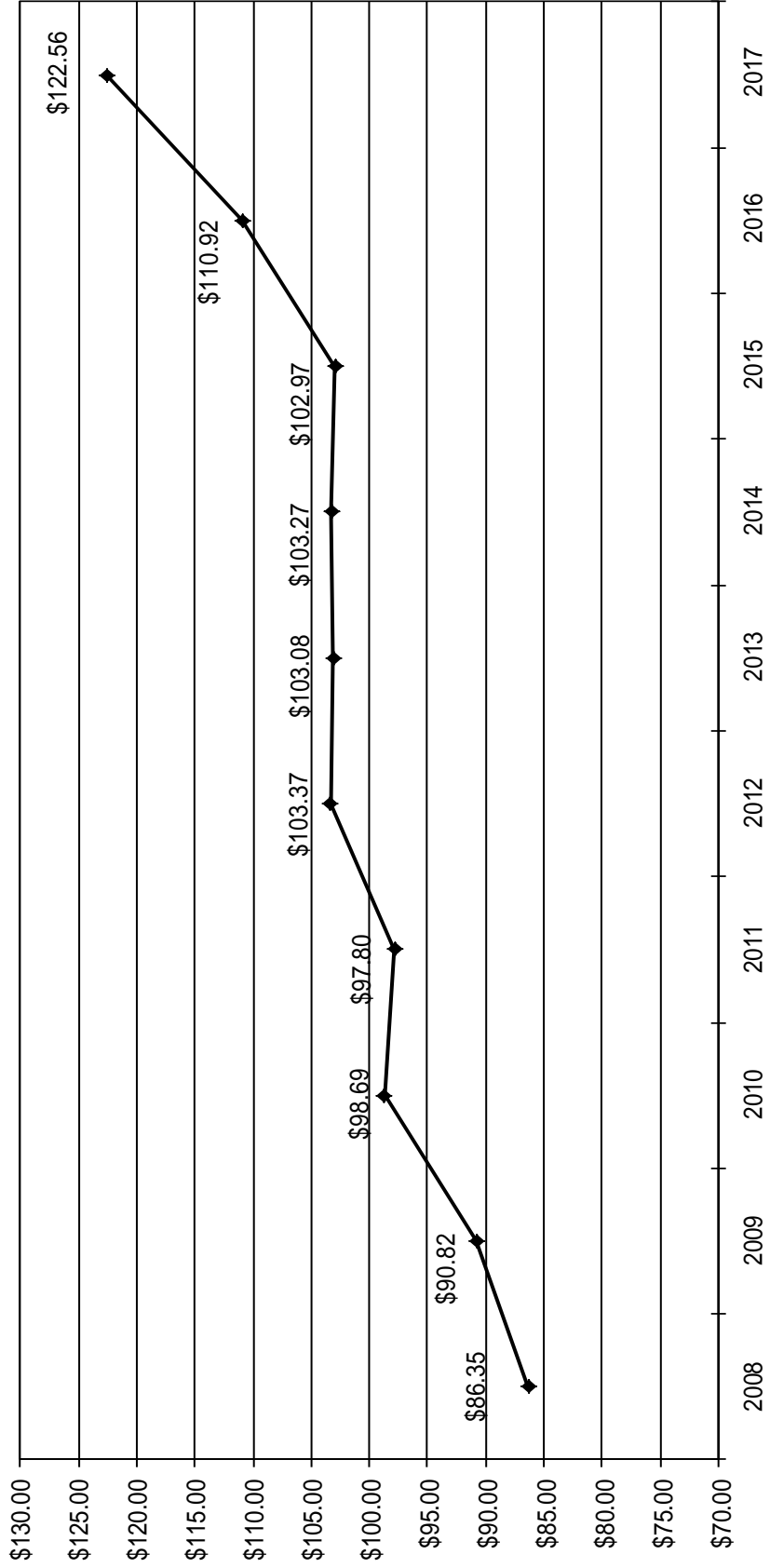
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Operating Expenses Other Than Depreciation and Amortization:</b>										
Labor	\$40,717	\$41,368	\$38,284	\$39,632	\$40,470	\$41,135	\$42,660	\$42,947	\$43,689	\$44,251
Fringe Benefits	19,938	20,096	19,395	18,725	20,699	21,552	21,986	19,756	25,835	35,824
Materials and supplies consumed	15,618	16,779	12,663	12,713	15,148	14,793	14,954	14,677	12,735	12,179
Services	3,766	3,738	3,726	3,371	3,408	3,486	3,799	4,553	6,537	5,309
Utilities	1,916	1,807	1,868	1,602	1,402	1,475	1,519	1,435	1,108	1,201
Casualty and liability	486	954	1,769	804	515	67	(19)	14	788	844
Taxes	1,027	961	853	851	862	846	865	842	830	818
Purchased transportation services	5,977	6,058	5,475	5,465	5,522	5,136	5,424	6,131	7,768	9,277
Leases and rentals	534	457	503	547	568	588	647	596	613	654
Miscellaneous	526	388	627	561	681	921	790	652	758	768
<b>Total</b>	<b>90,505</b>	<b>92,606</b>	<b>85,163</b>	<b>84,271</b>	<b>89,275</b>	<b>89,999</b>	<b>92,624</b>	<b>91,602</b>	<b>100,661</b>	<b>111,125</b>
Federal grant pass-through: Cincinnati Zoo/Transit Hub	728	2,765	0	0	0	0	0	0	0	0
Federal grant pass-through: City of Cincinnati Streetcar	0	0	0	0	0	5,096	21,731	13,355	3,770	0
Federal grant pass-through: Everybody Rides Metro	98	224	351	271	244	272	252	190	63	0
<b>Depreciation and Amortization</b>	<b>11,281</b>	<b>11,109</b>	<b>11,485</b>	<b>10,608</b>	<b>13,804</b>	<b>14,449</b>	<b>14,191</b>	<b>14,783</b>	<b>15,389</b>	<b>15,249</b>
<b>Total Operating Expenses</b>	<b>\$102,612</b>	<b>\$106,704</b>	<b>\$96,999</b>	<b>\$95,150</b>	<b>\$103,322</b>	<b>\$109,816</b>	<b>\$128,798</b>	<b>\$119,930</b>	<b>\$119,883</b>	<b>\$126,374</b>

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

Totals may not be mathematically accurate as displayed due to rounding.

Source: SORTA's independently audited annual financial statements.

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. Some balances may have been reclassified to conform with the current year's presentation. Operating expenses exclude depreciation and amortization and grant pass-through.

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 LIABILITY	PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
2008	64.0%	12.8%	6.3%	3.4%	2.2%	13.7%	-2.4%	100.0%
2009	64.8%	11.3%	6.6%	3.5%	2.3%	14.0%	-2.5%	100.0%
2010	65.2%	10.7%	6.6%	3.4%	2.6%	13.8%	-2.3%	100.0%
2011	65.0%	11.4%	6.6%	3.3%	2.6%	13.3%	-2.2%	100.0%
2012	64.0%	11.7%	6.9%	3.2%	2.2%	13.8%	-1.8%	100.0%
2013	60.7%	11.2%	7.1%	3.1%	2.4%	13.7%	1.8%	100.0%
2014	61.1%	11.0%	6.9%	3.2%	2.5%	13.6%	1.7%	100.0%
2015	62.0%	10.0%	7.0%	3.0%	2.0%	14.0%	2.0%	100.0%
2016	*	*	*	*	*	*	*	*
2017	*	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY (3):

YEAR	LABOR AND FRINGES	MATERIALS AND SUPPLIES	SERVICES	UTILITIES	CASUALTY AND LIABILITY	PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
2008	67.0%	17.3%	4.2%	2.1%	0.5%	6.6%	2.3%	100.0%
2009	66.4%	18.1%	4.0%	2.0%	1.0%	6.5%	2.0%	100.0%
2010	67.7%	14.9%	4.4%	2.2%	2.1%	6.4%	2.3%	100.0%
2011	69.2%	15.1%	4.0%	1.9%	1.0%	6.5%	2.3%	100.0%
2012	68.5%	17.0%	3.8%	1.6%	0.6%	6.2%	2.3%	100.0%
2013	69.7%	16.4%	3.9%	1.6%	0.1%	5.7%	2.6%	100.0%
2014	69.8%	16.1%	4.1%	1.6%	0.0%	5.9%	2.5%	100.0%
2015	68.5%	16.0%	5.0%	1.6%	0.0%	6.7%	2.2%	100.0%
2016	69.1%	12.7%	6.5%	1.1%	0.8%	7.7%	2.1%	100.0%
2017	72.1%	11.0%	4.8%	1.1%	0.7%	8.3%	2.0%	100.0%

\* Information is not available  
 (1) Source: The American Public Transit Association, "APTA 2016 Transit Fact Book".  
 (2) Operating expenses exclude depreciation and amortization and grant pass-through.  
 (3) Source: Derived from SORTA's independently audited annual financial statements.

Southwest Ohio Regional Transit Authority

**City Income Tax—Transit Fund (dollars in thousands)**

YEAR	BEGINNING	.3% INCOME	OTHER	DISTRIBUTIONS	OTHER	ENDING
	<u>BALANCE</u>	<u>TAX COLLECT</u>	<u>RECEIPTS</u>	<u>TO SORTA (3)</u>	<u>DISTRIBUTIONS</u>	<u>BALANCE (1) (2)</u>
2008	\$15,823	\$45,362	\$331	\$45,385	\$727	\$15,404
2009	15,404	43,150	176	46,536	854	11,340
2010	11,340	43,187	207	40,392	672	13,670
2011	13,670	45,350	191	41,745	2,420	15,046
2012	15,046	46,075	94	45,046	714	15,455
2013	15,455	47,566	26	47,954	863	14,230
2014	14,230	49,078	38	53,947	515	8,884
2015	8,884	51,532	99	49,553	1,023	9,939
2016	9,939	53,593	157	47,503	561	15,625
2017	15,625	53,519	148	61,453	1,848	5,991
	<u>\$478,412</u>		<u>\$1,467</u>	<u>\$479,514</u>	<u>\$10,197</u>	

Source: City of Cincinnati, "Combining Statement of Revenue, Expenditures and Changes in Fund Balance. Based on City of Cincinnati fiscal year end of June 30.

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

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

(3) Includes operating and capital assistance.



Southwest Ohio Regional Transit Authority

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Outstanding debt by type:										
Capital lease obligation	\$10,000	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total outstanding debt	\$10,000	\$5,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Population - Hamilton County, Ohio (1)	851	855	802	800	802	805	807	808	809	814
Outstanding debt per capita	\$11.75	\$5.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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

Source:  
(1) Hamilton County Data Center.

Southwest Ohio Regional Transit Authority  
**Demographic Statistics**

<u>YEAR (1)</u>	<u>MEDIAN AGE</u>	<u>MEDIAN INCOME</u>
1960	30.3	\$5,483
1970	*	\$10,486
1980	30.0	\$10,673
1990	32.7	\$15,354
2000	35.5	\$24,053
2010	37.1	\$29,197

<u>YEAR</u>	<u>K-12 SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE (3)</u>	<u>POPULATION (4)</u>
2008	150,661	5.6%	851,494
2009	149,944	8.9%	855,062
2010	148,212	9.4%	802,374
2011	145,438	8.6%	800,362
2012	138,879	7.0%	802,038
2013	149,179	7.1%	804,520
2014	134,943	5.3%	806,631
2015	134,734	4.5%	807,598
2016	*	4.3%	809,099
2017	*	4.4%	813,822

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/American Fact Finder
- (3) OhioLMI.com.
- (4) Quickfacts.census.gov.

Southwest Ohio Regional Transit Authority  
**Principal Employers in Primary Service Area  
 Calendar Years 2017 and 2008**

**2017**

<b>Employer</b>	<b>Nature of Business</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
Kroger Co.	National grocery retailer	21,263	5.4%
Cincinnati Children's Hospital Medical Center Trihealth, Inc.	Pediatric Medical Center Health care system	15,429	3.9%
UC Health	Health care system	12,000	3.1%
University of Cincinnati	Public university	11,241	2.9%
GE Aviation	Jet engines/components	10,551	2.7%
Mercy Health	Health care system	10,500	2.7%
Proctor & Gamble Co.	Consumer products company	10,442	2.7%
Fifth Third Bancorp	Banking and Financial Services	10,000	2.5%
City of Cincinnati	Local Government	7,496	1.9%
		6,732	1.7%
	<b>Total</b>	<b>115,654</b>	<b>29.4%</b>
	<b>Total County Employment:</b>	<b>393,300</b>	

**2008**

<b>Employer</b>	<b>Nature of Business</b>	<b>Employees</b>	<b>Percentage of Total County Employment</b>
University of Cincinnati	Public university	15,862	3.8%
Kroger Co.	National grocery retailer	15,600	3.8%
Health Alliance of Greater Cincinnati	Health care system	14,785	3.6%
Proctor & Gamble Co.	Consumer products company	12,315	3.0%
Cincinnati Children's Hospital Medical Center Trihealth, Inc.	Pediatric medical center Health Care System	9,464	2.3%
Fifth Third Bank	Financial services company	9,400	2.3%
GE Aviation	Jet engines/components	7,645	1.8%
Mercy Health Partners	Health care system	7,400	1.8%
Hamilton County	Local Government	6,948	1.7%
		6,304	1.5%
	<b>Total</b>	<b>105,723</b>	<b>25.6%</b>
	<b>Total County Employment</b>	<b>413,600</b>	

Source: 2017 Business Courier Book of Lists; 2008 Business Courier Book of Lists.

**Operating Statistics – Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>System Ridership (1)</b>										
Motor bus	25,833,969	22,886,445	18,821,828	18,784,769	17,390,349	16,769,004	16,426,147	15,964,372	15,013,274	14,265,533
Demand responsive	238,352	234,507	185,804	172,963	162,771	177,004	198,202	210,381	222,719	227,896
<b>Average Weekday System Ridership (1)</b>										
Motor bus	87,066	77,389	64,711	63,706	59,544	57,247	55,423	54,289	51,046	48,785
Demand responsive	824	805	648	604	570	631	716	761	807	827
<b>Vehicle Miles Operated (1)</b>										
Motor bus	12,638,029	12,355,966	10,947,052	11,075,394	11,175,537	11,081,761	11,254,346	11,171,698	11,226,917	11,158,571
Demand responsive	2,216,026	2,064,155	1,629,544	1,531,529	1,450,664	1,528,330	1,643,738	1,713,592	1,776,392	1,802,344
<b>Average Weekday Vehicle Miles Operated (1)</b>										
Motor bus	42,413	41,714	37,101	37,506	37,908	37,627	38,261	37,937	38,076	37,980
Demand responsive	7,656	7,087	5,687	5,350	5,079	5,447	5,936	6,199	6,437	6,543
<b>Revenue Miles (1)</b>										
Motor bus	10,774,532	10,445,144	8,923,481	9,178,389	9,351,070	9,464,791	9,669,391	9,558,809	9,622,716	9,587,065
Demand responsive	1,922,900	1,809,465	1,422,463	1,335,563	1,258,233	1,315,545	1,379,346	1,431,799	1,486,637	1,510,091
<b>Passenger Miles (1)</b>										
Motor bus	127,342,586	103,965,183	86,058,502	94,763,303	86,595,685	81,125,391	89,546,000	97,051,405	83,272,418	80,448,290
Demand responsive	2,558,818	2,521,893	1,931,873	2,056,530	1,816,524	1,964,744	1,978,056	2,259,492	2,171,491	2,219,697

(continued)

Southwest Ohio Regional Transit Authority

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Vehicle Hours Operated (1)</b>										
Motor bus	913,117	892,296	760,187	767,333	774,170	778,325	791,988	787,944	793,414	790,422
Demand responsive	134,974	127,345	102,726	94,368	89,439	94,763	104,948	109,880	114,106	116,291
<b>Vehicle Revenue Hours (1)</b>										
Motor bus	821,178	802,130	687,273	695,282	713,214	717,809	736,720	731,157	736,542	734,962
Demand responsive	108,546	105,574	83,638	77,724	73,299	77,564	84,275	88,198	92,111	94,096
<b>Diesel Fuel Consumption (In Gallons) (1)</b>	3,597,598	3,361,994	2,965,930	2,977,079	2,992,001	2,957,637	2,944,422	2,911,345	2,900,930	2,839,431
<b>Fleet Requirements (During Peak Hours) (1)</b>										
Motor bus	324	324	280	287	289	297	297	297	299	299
Demand responsive	48	48	48	48	48	48	48	48	48	48
<b>Total Revenue Vehicles During Period (1)</b>										
Motor bus	388	388	333	344	346	356	356	357	357	360
Demand responsive	51	52	53	48	48	48	48	56	57	56
<b>Number of Full Time Employees (2) (3)</b>	814	744	722	704	719	808	791	834	780	859

Sources:

- (1) SORTA's annual "National Transit Database" (NTD) report filed with the Federal Transit Administration. Note that in 2012, SORTA began reporting annual system ridership using data provided by farebox transactions, which represents a change from the sampling methodology used in prior years.
- (2) Human Resources Department "Personnel Distribution - Department Breakdown" report.
- (3) Beginning in 2017 -- Budgeted Headcount report prepared by the Finance Department.

Southwest Ohio Regional Transit Authority  
**Capital Asset Information as of December 31, 2017**

<b><u>ACCESS</u></b>	1801 Transpark Drive, Cincinnati, Ohio 45229	<b>76,518</b>	<b><u>SILVERTON</u></b>	7000 Montgomery Road, Cincinnati, Ohio 45236	<b>3,237</b>
<b>Building Total Square Footage</b>	Which includes:	Office space 9,685 Operations 21,480 Maintenance 11,793 Storage 33,560	<b>Building Total Square Footage</b>	Office space 1,260 Operations 1,927 Maintenance 0 Storage 50	<b>3,237</b>
<b>Real Estate Acreage</b>	Sq. Ft. parking lot	<b>5.65</b> 41,430	<b>Real Estate Acreage</b>	Sq. Ft. parking lot	<b>2.25</b> 28,800
			<b>Park and Ride Spaces</b>		<b>120</b>

<b><u>FOREST PARK, PARK AND RIDE</u></b>	1160 Kemper Meadow Drive, Cincinnati, Ohio 45240	<b>2.34</b> <b>120</b>
<b>Real Estate Acreage</b>		<b>2.34</b>
<b>Park and Ride Spaces</b>		<b>120</b>

(continued)

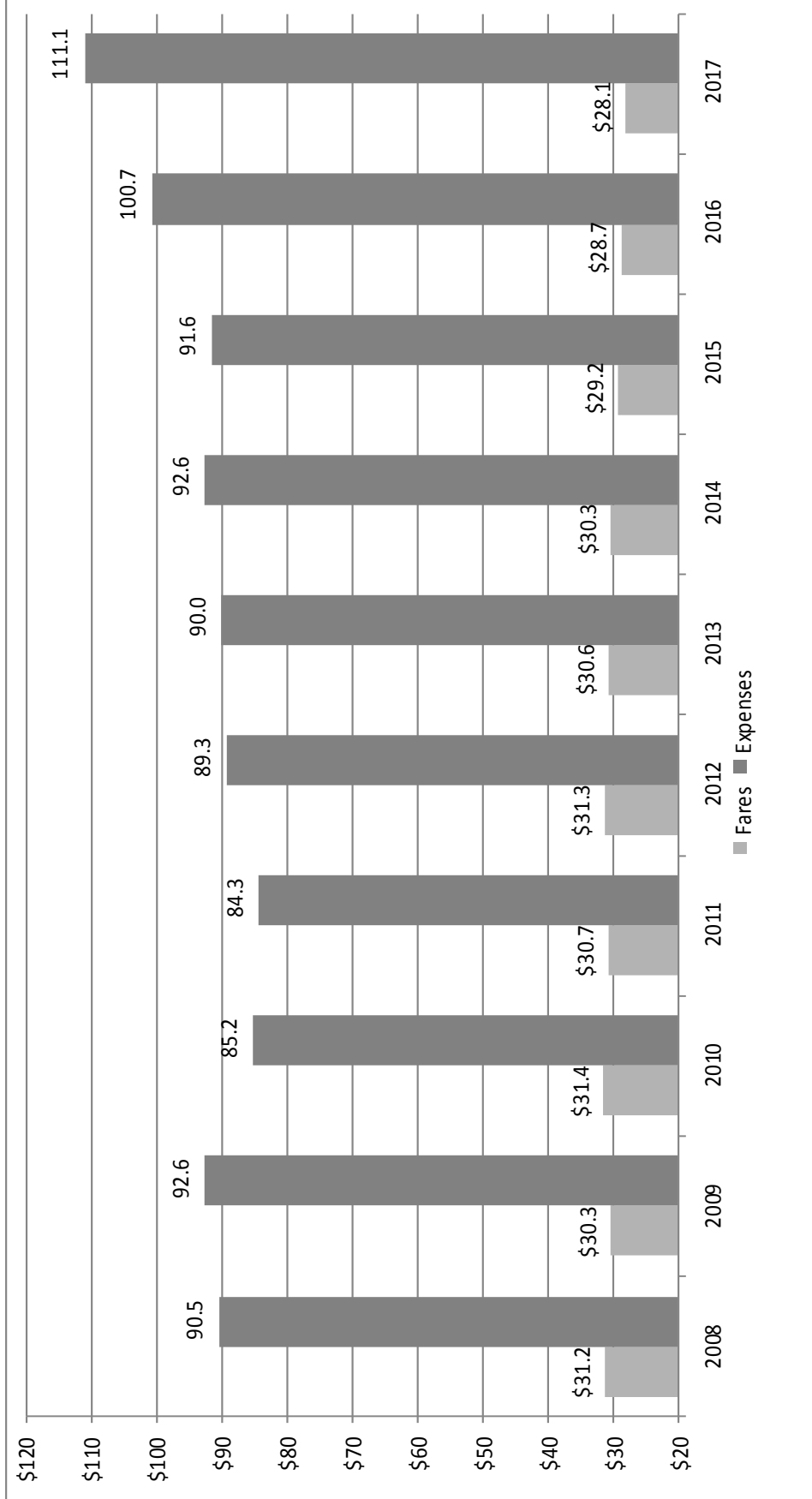
Southwest Ohio Regional Transit Authority

Capital Asset Information as of December 31, 2017 (continued)

<u>PARATRANSIT VEHICLES</u>				<u>BUSES</u>		
<u>Quantity</u>	<u>Year</u>	<u>Manufacturer</u>	<u>Quantity</u>	<u>Year</u>	<u>Manufacturer</u>	
3	2010	Eldorado	8	2001	Gillig	
3	2011	Chevrolet	32	2002	Gillig	
4	2012	Chevrolet	23	2004	Gillig	
21	2013	Eldorado	38	2006	Gillig	
20	2015	Eldorado	1	2008	Gillig	
2	2016	Eldorado	30	2008	New Flyer	
<b>53</b>	<b>Total Paratransit Vehicles</b>		67	2009	New Flyer	
			7	2010	New Flyer	
			1	2011	Gillig	
			14	2011	New Flyer	
			44	2012	Gillig	
			33	2013	Gillig	
			37	2015	Gillig	
			22	2016	Gillig	
			<b>357</b>	<b>Total Buses</b>		

Southwest Ohio Regional Transit Authority

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

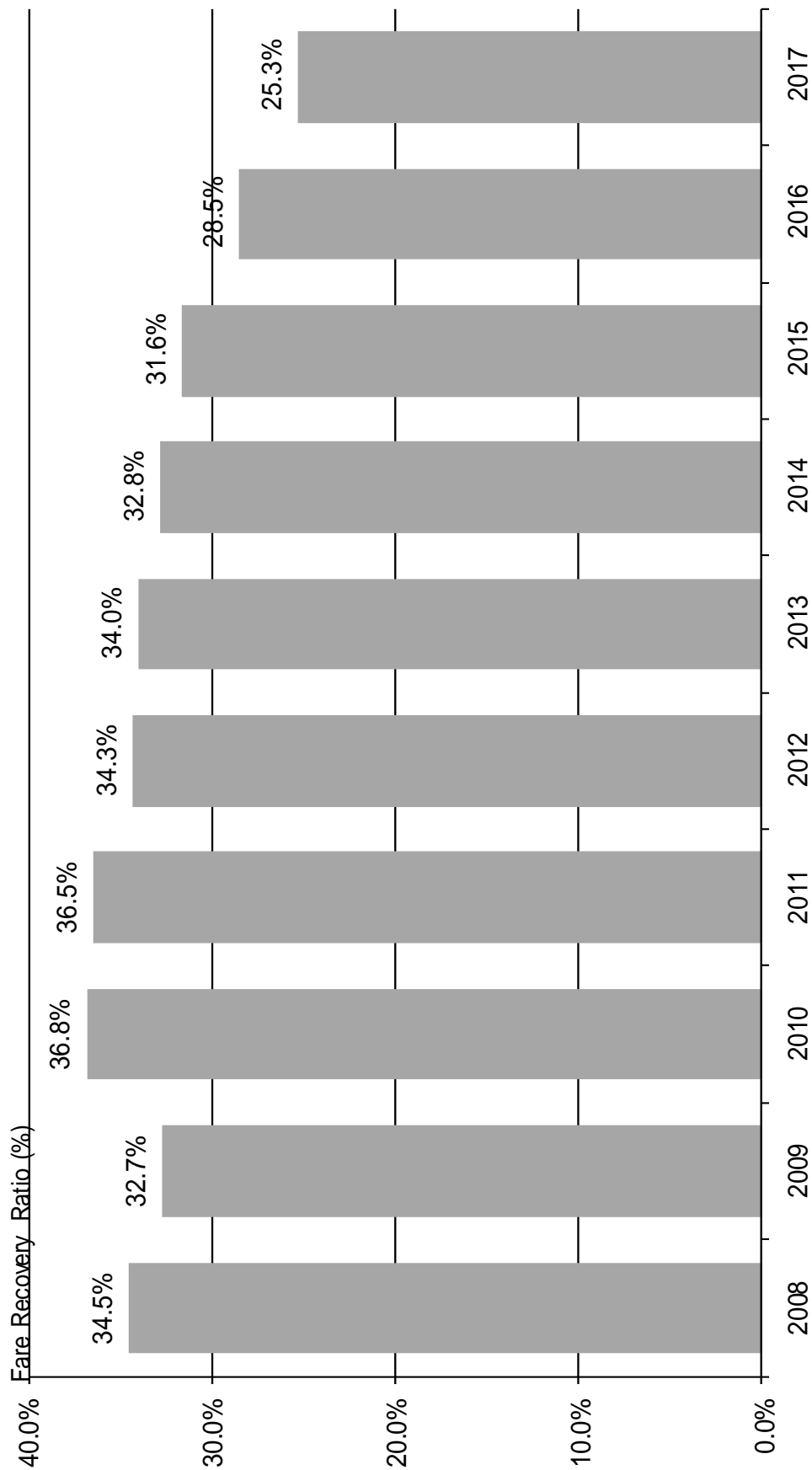


Source: Derived from SORTA's independently audited annual financial statements. Some balances may have been reclassified to conform with the current year's presentation. Passenger fares include passenger and special transit revenues, subsidies from FTA, ODOT, Cincinnati Public Schools and certain local governments to support farebox discounts offered at certain times during the year; operating expenses exclude depreciation and amortization and grant pass-through.



Southwest Ohio Regional Transit Authority

Passenger Fares Recovery Ratio - Last Ten Years



**Revenue Rates – Last Ten Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Cash or Token Fares</b>										
Zone 1 fare (3)	\$1.50	\$1.50	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75
Zone 2 fare (3)	\$2.00	\$2.25	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65
Zone 3 fare (3)	\$2.50	\$3.00	\$3.00							
Day Pass Zone 1 fare (3)							\$4.50	\$4.50	\$4.50	\$4.50
Day Pass Zone 2 fare (3)							\$6.30	\$6.30	\$6.30	\$6.30
Express Service (Monday-Friday)(Harrison)				\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Express Service (Monday-Friday)(Clermont County)				\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75
Express Service (Monday-Friday) Zone 4 (3)	\$3.00	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50
Express Service (Monday-Friday) Zone 5 (3)	\$3.75	\$4.25	\$4.25	\$4.25	\$4.25	\$4.25	\$4.25	\$4.25	\$4.25	\$4.25
Parking Meeter shuttle (Monday-Friday)	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Eastgate Express Service (Monday-Friday)										
Transfers	\$0.25	\$0.25	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Access Zone 1 (1)	\$1.50	\$1.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50
Access Zone 2 (1)	\$2.00	\$2.00	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
<b>Monthly Passes</b>										
MetroCard Zone 1 Pass (City of Cincinnati)	\$55.00	\$55.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00
MetroCard Zone 2 Pass (Hamilton County)	\$75.00	\$90.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00
MetroCard Zone 3 Pass (Clermont and Harrison)	\$95.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
MetroCard Harrison Zone Pass				\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
MetroCard Clermont Zone Pass				\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
MetroCard Zone 4 Pass (Butler County)	\$115.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00	\$140.00
MetroCard All Pass Zone 5 (Warren County and all zones)	\$145.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00
Metro/Tank Pass (Zone 1)(3)	\$85.00	\$90.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00
Fare Deal (2)	\$32.50	\$32.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50
<b>Discount Fares (Fare Deal (2) and Children under 45")</b>										
Zone 1 fare	\$0.75	\$0.75	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85
Zone 2 fare	\$1.00	\$1.10	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30
Zone 3 fare	\$1.25	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50

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

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

(3) Five zones - 1) City of Cincinnati, 2) Hamilton County outside City, 3) Harrison/Clermont County, 4) Butler County, 5) Warren County

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

Southwest Ohio Regional Transit Authority

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vehicle Operations	585.0	513.0	505.0	509.0	514.0	511.0	496.5	528.0	503.5	541.0
Vehicle Maintenance	202.0	187.0	187.0	182.0	182.0	185.0	182.0	173.0	169.0	196.0
Non-Vehicle Maintenance	30.0	34.0	27.0	24.0	25.0	26.0	28.0	35.0	26.0	28.0
General Administration	93.5	89.0	80.0	85.5	88.0	91.0	86.5	100.0	81.0	88.0
Paratransit Service	9.5	7.5	7.5	5.5	5.5	5.0	6.0	4.5	4.5	6.0
<b>Total Employees</b>	<b>920.0</b>	<b>830.5</b>	<b>806.5</b>	<b>806.0</b>	<b>814.5</b>	<b>818.0</b>	<b>799.0</b>	<b>840.5</b>	<b>784.0</b>	<b>859.0</b>

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

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

**REPORTS ISSUED PURSUANT TO  
2 CFR PART 200 UNIFORM GUIDANCE**

**YEAR ENDED DECEMBER 31, 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Ohio Regional Transit Authority (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 27, 2018.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Toledo, Ohio  
July 27, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND  
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Southwest Ohio Regional Transit Authority  
Cincinnati, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited the Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated July 27, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Toledo, Ohio  
July 27, 2018

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**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2017**

<b>Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Amount Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
U.S. Department of Transportation:				
Federal Transit Administration (FTA):				
Federal Transit Cluster:				
Received Directly from FTA:				
Formula Grants	20.507	OH-90-X678	\$ -	\$ 38,748
Formula Grants	20.507	OH-90-X726	-	311,654
Formula Grants	20.507	OH-90-X795	-	32
Formula Grants	20.507	OH-90-X837	-	25,825
Formula Grants	20.507	OH-2016-060	-	40,992
Formula Grants	20.507	OH-2017-028	-	9,630,042
Formula Grants	20.507	OH-2017-031	-	369,429
Formula Grants	20.507	OH-95-X152	-	152,876
Formula Grants	20.507	OH-95-X186	-	18,391
Formula Grants	20.507	OH-2018-TBD	-	4,575,502
Total Federal Transit Cluster			-	15,163,491
U.S. Department of Transportation:				
Federal Transit Administration (FTA):				
Transit Services Program Cluster:				
Received Directly from FTA:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OH-16-X017	-	306,152
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	OH-2016-025	-	630,203
Total Transit Services Program Cluster			-	936,355
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ -</b>	<b>\$ 16,099,846</b>

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**December 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 2 BASIS OF PRESENTATION**

The accompanying Schedule includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**NOTE 3 NONCASH ASSISTANCE**

The Authority did not receive any federal awards in the form of noncash assistance for insurance in effect during the year, loans, or loan guarantees.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2017**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 516(a)? \_\_\_\_\_ yes  X  no

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**Section II - Financial Statement Findings**

None.

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

None.



Investment advisory services are offered through CliftonLarsonAllen  
Wealth Advisors, LLC, an SEC-registered investment advisor.





# Dave Yost • Auditor of State

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 27, 2018**