

Southwest Ohio Regional Transit Authority
Hamilton County, Ohio

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Years Ended December 31, 2019 and 2018

Kreg Keesee
Chair
Board of Trustees

Darryl Haley
CEO & General Manager

Prepared by:
Finance Department

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Southwest Ohio Regional Transit Authority
602 Main St. Ste 1100
Cincinnati, OH 45202

We have reviewed the *Independent Auditor's Report* of the Southwest Ohio Regional Transit Authority, Hamilton County, prepared by CliftonLarsonAllen LLP, for the audit period January 1, 2019 through December 31, 2019. 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 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

September 29, 2020

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Southwest Ohio Regional Transit Authority
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Years Ended December 31, 2019 and 2018

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Trustees

Kreg Keesee
Chair

Gwen Robinson
Vice Chair

Heidi Black
Maurice Brown
Brendon Cull
Blake Ethridge
Allen Freeman
Robert Harris
Roderick Hinton
Thaddeus Hoffmeister
Pete McLinden
Mary Miller
Kathy Wyenandt

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

SORTA's Vision
20 million rides by 2026

SORTA's Mission
Regional transportation
connecting people and places, driving
economic growth and expanding
quality of life choices



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

July 28, 2020

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, 2019 and 2018. 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, 2019. 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, 2019, 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, 2018, representing the 28th 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, 2019 and 2018, the required supplementary information schedule of agency's proportionate share of net pension liability and benefit—OPERS traditional and combined plans, OPEB, the required supplementary information schedule of agency's contributions—OPERS traditional and combined plans, OPEB and the supplemental schedule of revenues, expenses, and changes in net position—budget and actual for the year ended December 31, 2019.

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 46 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 2019, Metro operated a total of about 778,000 hours of service over 10.9 million miles, providing approximately 13.2 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 48 lift-equipped vehicles and 4 ambulatory vehicles. SORTA's Director of Accessible Services provides oversight for this service. In 2019, Access provided about 227,000 passenger trips over 1.9 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:

525 Vine Street, Suite 500, a leased facility in downtown Cincinnati, houses Metro's administrative offices, along with the office of SORTA staff and Board of Trustees, effective March, 2020.

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, through April, 2020.

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 14-20 of this CAFR provides a narrative introduction, overview and analysis of the Authority's basic Financial Statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

YEAR IN REVIEW

During the past year, Metro continued to focus on low- or no-cost service improvements leading up to a planned sales tax referendum in 2020. Here are just a few of the highlights:

- Managed costs and expenses to maintain service and fares for the ninth consecutive year.
- Voted to put a 0.8 percent Hamilton County sales tax increase on the ballot for March 2020 following a successful vote to (conditionally) rescind the portion of the City of Cincinnati's earnings tax (0.3 percent) that currently funds Metro services should the sales tax levy pass.
- Launched the new Transit with EZFare app that lets customers plan their trips, pay their fare and track their buses using one app for Metro, Transit Authority of Northern Kentucky (TANK) and Butler County Regional Transit Authority (BCRTA.)
- Implemented FASStops (Frequency and Amount of Stops,) eliminating nearly 1,000 under-utilized bus stops to speed travel times and improve on-time performance.

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 in 2019 was 808,703, 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. Local governments are eagerly looking forward to getting the results of the 2020 U.S. Census to determine if this growth has continued.

Employment

For 2019, Hamilton County had an unemployment rate of 4.1 percent while the U.S. average is 3.9 percent. Future job growth over the next ten years is predicted to be 30.6 percent, which is lower than the US average of 33.5 percent. Healthcare and professional services will continue to lead job growth with retail, finance, leisure and hospitality providing support. Strong overseas demand for aerospace products will further encourage investment, production and income growth in the region. Nevertheless, manufacturing is unlikely to generate a lot of new jobs.

Amazon's investment of more than \$1.5 billion in an air hub at the Cincinnati airport could add as many as 2,000 jobs over the next few years. Federal tax cuts and continued higher defense and infrastructure spending on the part of the Federal government could boost profits for the region's large corporate sector and it could help boost production in the steel and aerospace industry clusters.

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:

- 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 minimizes volatility.
- In particular, large manufacturers such as Honda, Procter & Gamble and GE Aviation are great sources of long-term stability for the area's economy.

Income

The average annual income for a Hamilton County resident is \$30,062 compared to \$28,555 per year for a U.S. resident. The median household income for a Hamilton County resident is \$48,927 a year, which is slightly lower than the U.S. average of \$53,482 a year. However, this is somewhat offset when compared to the cost of living in the rest of the country. Hamilton County's cost of living is 13.5 percent lower than the U.S. average.

Housing

The median home price is \$151,500. Home prices are on track to rise between 4 and 5 percent per year over the next couple of years, thanks in part 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, including historically lower interest rates that experts predict will remain below 5 percent through 2019. As mentioned earlier, continued interest for and development of housing (both for rent and purchase) in the downtown area in particular is also driving the local housing market.

Overall, housing is very affordable in the region compared to other areas of similar size.

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

<https://www.bestplaces.net/economy/county/ohio/hamilton>

FUTURE PROJECTS

Initiatives planned for 2020 include:

New challenges: The COVID-19 pandemic hit Metro particularly hard in March of 2020. The combination of reduced services, fewer riders due to a statewide stay-at-home order and the extra cost of cleaning and other remediation efforts is providing a severe challenge to Metro's budget and service initiatives. Much of 2020 will be spent reacting to the new "normal" brought on by the coronavirus and the uncertainty of its outcome.

New facilities: Construction began on the Northside Transit Center. Northside is home to Metro's second largest concentration of bus transfers after Government Square downtown. The grand opening is tentatively scheduled for late summer 2020.

New amenities: Metro will begin laying the groundwork to begin installing digital validating units on all buses as part of the ongoing effort to facilitate cashless fare payment. These units will read customers' digital devices and validate fare payment without operator interaction.

New direction: Metro's successful sales tax levy means that work may finally begin on expanding services, adding more frequency, new routes, longer service hours (including 24-hour service on major routes) and the possibility of future bus rapid transit (BRT) service.

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. SORTA wishes to thank all who contributed to this project.



James D. Haley
Chief Executive Officer and General Manager
and Secretary-Treasurer



Michelle A. Jeng
Chief Financial Officer

Southwest Ohio Regional Transit Authority

Board of Trustees and Administration as of December 31, 2019

Members of the Board of Trustees

Kreg Keesee, Chair
Gwen Robinson, Vice Chair
Heidi Black
Maurice Brown
Brendon Cull
Blake Ethridge
Allan Freeman
Robert Harris
Rod Hinton
Thaddeus Hoffmeister
Peter McLinden
Mary Miller
Kathleen Wyenandt

Administration

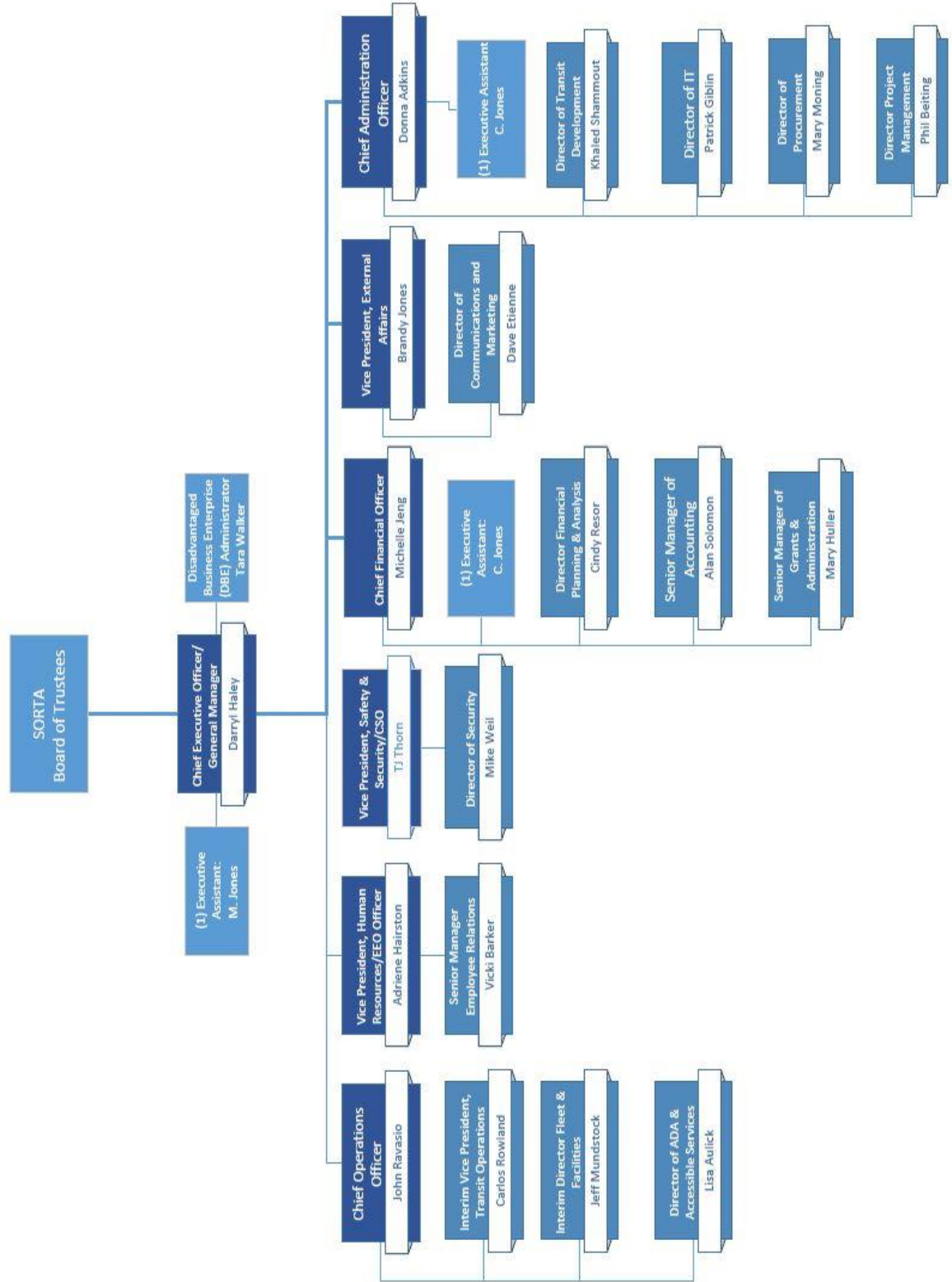
Darryl Haley, Chief Executive Officer and General Manager and Secretary-Treasurer
John Ravasio, Chief Operating Officer
Michelle Jeng, Chief Financial Officer
Donna Adkins, Chief Administrative Officer

Adriene Hairston, Vice President, Human Resources
Brandy Jones, Vice President, External Affairs
Carlos Rowland, Interim Vice President, Operations
T.J. Thorn, Vice President, Safety & Security

Lisa Aulick, Director, ADA & Accessible Services
Phil Beiting, Interim Director, Project Management
David Etienne, Director, Marketing and Communications
Patrick Giblin, Director, Information Services
Mary Moning, Director, Procurement/Stores
Jeff Mundstock, Interim Director, Maintenance
Cindy Resor, Director, Financial Planning & Analysis
Khaled Shammout, Director, Strategic Planning & Development
Michael Weil, Director, Security

Southwest Ohio Regional Transit Authority

**Table of Organization
December 31, 2019**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Southwest Ohio Regional
Transit Authority, Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO

Southwest Ohio Regional Transit Authority



CliftonLarsonAllen LLP
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, 2019 and 2018, 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.



A member of
Nexia
International

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

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, pension contributions, net OPEB liability and OPEB contributions be presented on pages 14-20 and 61-66, 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 section 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.

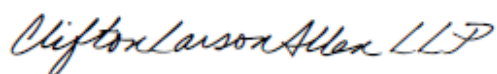
Southwest Ohio Regional Transit Authority

Finance Committee
Southwest Ohio Regional Transit Authority

The introductory section and statistical section 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2020, 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 28, 2020

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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, 2019. 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 2019 was \$(10.3) million, which represents a decrease of \$1.9 million, or 22.5%, compared to the balance at the end of 2018.
- Operating revenue for the year was \$23.1 million, which represents an increase of about \$0.9 million, or 4.1%, from 2018.
- Operating expenses for the year (excluding depreciation and amortization) were \$127.2 million, which represents an increase of \$17.6 million, or 16.0%, over 2018.
- Non-operating revenues, net of non-operating expenses, including federal, state and local subsidies, were \$85.4 million in 2019, which represents an increase of \$4.7 million, or 5.7%, compared to 2018.

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)****GASB 75 reporting**

During 2018, the Authority adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for other postemployment benefits (OPEB) costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to OPEB and the net OPEB liability to the reported net position and subtracting deferred outflows related to OPEB.

Under the new standards required by GASB 75, the net OPEB liability equals the Authority's proportionate share of each plan's collective:

1. Present value of estimated future OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future OPEB. GASB noted that the unfunded portion of this OPEB promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Authority is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding OPEB benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net OPEB liability. As explained above, changes in OPEB benefits, contribution rates, and return on investments affect the balance of the net OPEB liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required OPEB payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net OPEB liability is satisfied, this liability is separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 75, the Authority's statements prepared on an accrual basis of accounting include an annual OPEB expense for their proportionate share of each plan's change in net OPEB liability not accounted for as deferred inflows/outflows.

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (continued)

As a result of implementing GASB 75, the Authority is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at January 1, 2018, from \$42,698,009 to \$8,193,966.

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,		
	2019	2018	2017
Current assets	\$32,298	\$39,072	\$36,138
Non-current assets	4,457	9,750	9,949
Capital assets - net	99,913	83,046	92,780
Total assets	136,669	131,868	138,867
Deferred outflows of resources	32,316	16,288	31,110
Total assets and deferred outflows of resources	\$168,985	\$148,157	\$169,977
Current Liabilities	\$24,001	\$34,007	\$31,852
Non-current liabilities	152,887	105,765	94,841
Total liabilities	176,888	139,773	126,692
Deferred Inflows of resources	2,364	16,768	587
Total liabilities and deferred inflows of resources	179,252	156,540	127,279
Net position			
Net investment in capital assets	93,763	67,422	76,535
Restricted	407	2,697	555
Unrestricted	(104,438)	(78,503)	(34,392)
Total net position	(10,268)	(8,384)	42,698*
Total liabilities, deferred inflows of resources and net position	\$168,985	\$148,157	\$169,977

* Does not include the effect of GASB 75.

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

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (continued)

As noted earlier, net position over time may serve as a useful indicator of the Authority's financial position. As of December 31, 2019, the Authority's total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$(10.3) million, which is a decrease in net position of \$1.9 million, or 22.5% from 2018. As of December 31, 2018, the Authority's total liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources by \$(8.4) million, which is a decrease in net position of \$51.1 million, or 119.6%, from 2017. It is further noted that over the past five years, the adoption of GASB 68 and 75 (see Notes 8 and 9) has decreased the net position of the Authority by \$110.0 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 net investment in capital assets as of December 31, 2019, amounts to \$93.8 million, net of accumulated depreciation, which is an increase of \$26.4 million, or 39.1%, from 2018.

Major capital asset expenditures during 2019 included the following:

- \$30.2 million to purchase 59 new 40-foot buses.

Depreciation and amortization expense was \$14.7 million in 2019.

The Authority's net investment in capital assets as of December 31, 2018, amounts to \$67.4 million, net of accumulated depreciation, which is a decrease of \$9.1 million, or 11.9%, from 2017.

Major capital asset expenditures during 2018 included the following:

- \$2.4 million to purchase 5 new 40-foot buses.
- \$1.2 million of assets (of which \$0.6 million was transferred from prior year Construction in Progress) related to the opening of Oakley Station were put into service during 2018.

Depreciation and amortization expense was \$14.1 million in 2018.

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, 2019 or 2018.

Southwest Ohio Regional Transit Authority

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

	For fiscal years ended December 31,		
	2019	2018	2017
Operating revenues:			
Passenger fares	\$21,210	\$20,151	\$20,623
Other operating revenues	1,851	2,002	1,973
Total operating revenues	<u>23,060</u>	<u>22,154</u>	<u>22,596</u>
Operating expenses other than depreciation and amortization	127,188	109,634	111,125
Depreciation and amortization expense	14,691	14,147	15,249
Total operating expenses	<u>141,879</u>	<u>123,781</u>	<u>126,374</u>
Operating loss	(118,819)	(101,628)	(103,778)
Non-operating revenues:			
Operating assistance from City of Cincinnati	56,104	54,759	50,535
Federal maintenance grants	14,400	15,204	15,401
Local operating grants and assistance	6,221	6,669	6,454
Other non-operating revenues	8,652	4,105	3,903
Total non-operating revenues	<u>85,377</u>	<u>80,737</u>	<u>76,293</u>
Net loss before capital grant activity	(33,442)	(20,891)	(27,486)
Capital grant revenue	31,558	4,313	1,327
Change in net position	<u>(1,884)</u>	<u>(16,578)</u>	<u>(26,159)</u>
Net position, beginning of year (restated for 2018)	<u>(8,384)</u>	<u>8,194</u>	<u>68,857</u>
Net position, end of year	<u>(\$10,268)</u>	<u>(\$8,384)</u>	<u>\$42,698*</u>

* Does not include the effect of GASB 75.

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

Operating Revenues

The Authority's operating revenues were \$23.1 million in 2019, which represents an increase of \$0.9 million, or 4.1%, compared to 2018. This increase is due primarily to the recognition of \$1.8 million in expired fare media.

The Authority's operating revenues were \$22.2 million in 2018, which represents a decrease of \$0.4 million, or 2.0%, compared to 2017. This decrease is due primarily to a \$0.5 million decrease in passenger fares on Metro fixed route service as a result of a 2.0% drop in ridership during the year, partially attributed to lower gasoline prices.

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (continued)

Operating Expenses

The Authority's operating expenses, other than depreciation and amortization, were \$127.2 million in 2019, which represents an increase of \$17.6 million, or 16.0%, compared to 2018. This increase was driven by several factors:

- \$13.4 million increase in fringe benefits includes a \$12.0 million increase to adjust pension accruals due to unfavorable investment results.
- \$3.1 million increase in casualty and liability due to increased claims payouts and increase in claims reserve over prior year.
- \$1.3 million increase in labor due primarily to increased operator training and an annual COLA adjustment.

These increases were partially offset by:

- \$1.0 million decrease in services primarily due to a decrease in outsourced services expenses of \$0.5 million.

The Authority's operating expenses, other than depreciation and amortization, were \$109.6 million in 2018, which represents a decrease of \$1.5 million, or 1.3%, compared to 2017. This decrease was driven by several factors:

- \$6.0 million decrease in fringe benefits is driven by an \$5.2 million decrease to adjust pension accruals due to favorable investment results.

These decreases were partially offset by:

- \$2.1 million increase in labor due primarily to increased operator training and an annual COLA adjustment.
- \$1.2 million increase in services primarily due to receipt of a vendor reimbursement in 2017.
- \$0.8 million increase in casualty and liability driven by loss experience.

Non-Operating Revenues

Non-operating revenues were \$85.4 million in 2019, which is an increase of \$4.7 million, or 5.7%, over 2018. This increase is due to \$3.0 million from the City of Cincinnati Income Tax-Transit Fund and \$4.3 million from the State of Ohio, partially offset by a reduction of \$0.8 million in federal funding.

Non-operating revenues were \$80.7 million in 2018, which is an increase of \$4.4 million, or 5.8%, over 2017. This increase is partially due to \$2.9 million from the City of Cincinnati Income Tax-Transit Fund which was designated for capital in the prior year versus operating.

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (concluded)

The SORTA Board placed an initiative on the March, 2020 ballot in Hamilton County asking voters to approve a countywide sales tax adequate to fund future operations of Metro and Access. In May, 2020 this initiative was passed. See note 16 for additional information.

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, 525 Vine Street, Suite 500, Cincinnati, Ohio, 45202.

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Southwest Ohio Regional Transit Authority

**Statement of Net Position
As of December 31, 2019 and 2018**

ASSETS AND DEFERRED OUTFLOWS	2019	2018
Current assets:		
Cash and cash equivalents (Note 4)	\$4,486,930	\$9,396,645
Investments (Note 4)	15,114,777	19,399,684
Receivables:		
Federal assistance	3,907,721	4,814,651
State assistance	4,094,657	0
Other	2,519,628	1,270,445
Receivables for capital assistance-restricted	131,460	2,241,946
Inventory of materials and supplies	1,422,747	1,351,556
Prepaid expenses and other current assets	620,317	597,000
Total current assets	<u>32,298,237</u>	<u>39,071,927</u>
Non-current assets:		
Investments-restricted (Note 4)	4,051,636	9,321,289
Net pension asset (Note 8)	405,661	428,851
Capital assets (Note 5):		
Land and buildings	14,615,138	14,615,138
Improvements	36,783,350	36,237,047
Revenue vehicles	159,130,374	146,668,815
Other equipment	40,972,370	40,478,227
Construction in progress	1,441,559	1,227,482
Total capital assets	<u>252,942,791</u>	<u>239,226,709</u>
Less allowance for depreciation and amortization	<u>153,029,542</u>	<u>156,180,669</u>
Capital assets, net	<u>99,913,249</u>	<u>83,046,040</u>
Total non-current assets	<u>104,370,546</u>	<u>92,796,180</u>
Total assets	136,668,783	131,868,107
Deferred outflows of resources:		
Deferred outflow of resources - OPEB (Note 9)	3,887,788	2,729,925
Deferred outflow of resources - pension (Note 8)	<u>28,427,957</u>	<u>13,558,497</u>
Total deferred outflows of resources	<u>32,315,745</u>	<u>16,288,422</u>
Total assets and deferred outflows of resources	<u>\$168,984,528</u>	<u>\$148,156,529</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, 2019 and 2018 (continued)**

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2019	2018
Current liabilities:		
Accounts payable	\$3,856,992	\$5,162,517
Accounts payable - capital additions	67,288	2,422,437
Accrued payroll	1,678,761	1,473,165
Accrued payroll taxes and other benefits	3,694,122	4,906,420
Current portion of estimated claims payable (Note 10)	4,083,404	3,724,231
Other current liabilities	926,022	4,000,226
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3):		
For operating purposes	7,881,158	8,411,746
For capital purposes	1,813,474	3,906,551
Total current liabilities	<u>24,001,221</u>	<u>34,007,293</u>
Non-current liabilities:		
Funds advanced for capital grants	4,269,772	9,294,762
Estimated claims payable, net of current portion (Note 10)	7,386,817	4,524,127
Net OPEB liability - OPERS (Note 9)	45,158,211	37,096,623
Net pension liability (Note 8)	95,226,064	54,128,882
Other post employment benefits (Note 9)	846,028	703,321
Other non-current liabilities	0	17,677
Total non-current liabilities	<u>152,886,892</u>	<u>105,765,392</u>
Total liabilities	<u>176,888,113</u>	<u>139,772,685</u>
Deferred inflows of resources:		
Deferred inflow of resources - OPEB (Note 9)	122,528	2,763,451
Deferred inflow of resources - pension (Note 8)	2,241,687	14,004,053
Total deferred inflows of resources	<u>2,364,215</u>	<u>16,767,504</u>
Net position:		
Net investment in capital assets	93,762,715	67,422,290
Restricted for:		
Net pension asset	405,661	428,851
Capital projects	0	2,253,357
Other purposes	1,687	15,116
Unrestricted deficit	<u>(104,437,863)</u>	<u>(78,503,274)</u>
Total net position	<u>(10,267,800)</u>	<u>(8,383,660)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$168,984,528</u>	<u>\$148,156,529</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, 2019 and 2018**

	2019	2018
Operating Revenues		
Passenger fares for transit service	\$21,209,622	\$20,151,327
Special transit fares	935,203	953,302
Auxiliary transportation revenue	915,566	1,048,972
Total	<u>23,060,391</u>	<u>22,153,601</u>
Operating expenses other than depreciation:		
Labor	47,600,723	46,316,509
Fringe benefits	43,191,404	29,778,833
Materials and supplies consumed	11,802,137	12,068,615
Services	5,511,906	6,549,855
Utilities	1,389,285	1,211,692
Casualty and liability	4,750,794	1,670,801
Taxes	1,071,082	844,289
Purchased transportation services	10,282,842	9,784,514
Leases and rentals	578,148	671,220
Miscellaneous	1,009,968	737,587
Total	<u>127,188,289</u>	<u>109,633,915</u>
Depreciation and amortization (Note 5)	14,690,805	14,147,389
Total operating expenses	<u>141,879,094</u>	<u>123,781,304</u>
Operating loss	<u>(\$118,818,703)</u>	<u>(\$101,627,703)</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, 2019 and 2018 (continued)**

	2019	2018
Non-operating revenues (expenses):		
Operating assistance from the City of Cincinnati Income Tax-Transit Fund (Note 3)	\$56,103,902	\$54,758,689
Federal maintenance grants and reimbursements (Note 6)	14,399,920	15,203,871
State maintenance grants, reimbursements and special fare assistance (Note 6)	5,105,040	780,363
Local operating grants and special fare assistance (Note 6)	6,220,807	6,669,341
Investment income, net (Note 4)	754,377	713,652
Increase (decrease) in fair value of investments	(2,233)	3,361
Non-transportation revenue	3,937,716	3,617,841
Other non-operating expenses	<u>(1,142,978)</u>	<u>(1,010,457)</u>
Total	<u>85,376,551</u>	<u>80,736,661</u>
Net loss before capital grant activity	(33,442,152)	(20,891,042)
Capital grant revenue (Note 6)	<u>31,558,012</u>	<u>4,313,416</u>
Increase (decrease) in net position during the year	(1,884,140)	(16,577,626)
Net position, beginning of year (restated for 2018) (Note 2)	<u>(8,383,660)</u>	<u>8,193,966</u>
Net position, end of year	<u>(\$10,267,800)</u>	<u>(\$8,383,660)</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, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from fares and special service	\$20,369,088	\$21,687,840
Payments for labor and employee benefits	(80,885,744)	(72,569,399)
Payments to suppliers	(23,093,936)	(24,000,737)
Payments for claims and insurance	<u>(1,525,215)</u>	<u>(999,839)</u>
Net cash used in operating activities	<u>(85,135,807)</u>	<u>(75,882,135)</u>
Cash flows from noncapital financing activities:		
Transfer from City of Cincinnati Income Tax-Transit Fund	59,543,790	56,432,810
Federal maintenance grants and reimbursements	15,306,850	15,036,022
State maintenance grants, reimbursements and special fare assistance	1,010,383	780,363
Other local operating assistance received	<u>5,053,889</u>	<u>6,611,771</u>
Net cash provided by noncapital financing activities	<u>80,914,912</u>	<u>78,860,966</u>
Cash flows from capital and related financing activities:		
Capital grants received:		
Federal and other local	20,469,469	2,767,361
Additions to capital assets	<u>(31,558,014)</u>	<u>(4,413,291)</u>
Net cash used in capital and related financing activities	<u>(11,088,545)</u>	<u>(1,645,930)</u>
Cash flows from investing activities:		
Net cash payments from investment securities	9,552,327	6,198,597
Interest received	<u>847,398</u>	<u>639,176</u>
Net cash provided by investing activities	<u>10,399,725</u>	<u>6,837,773</u>
Net increase (decrease) in cash and cash equivalents	(4,909,715)	8,170,674
Cash and cash equivalents at beginning of year	<u>9,396,645</u>	<u>1,225,971</u>
Cash and cash equivalents at end of year	<u>\$4,486,930</u>	<u>\$9,396,645</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, 2019 and 2018 (continued)

	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	(\$118,818,703)	(\$101,627,703)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	14,690,805	14,147,389
Non-transportation revenue	3,937,716	3,617,841
Other non-operating expenses	(1,142,978)	(1,010,457)
Effect of changes in assets, liabilities, deferred outflows and inflows:		
Other receivables	(1,342,204)	1,384,713
Deferred outflow of resources - OPEB	(1,157,863)	(2,729,925)
Deferred outflow of resources - pension	(14,869,460)	17,551,221
Restricted - receivables for capital assistance	2,110,486	(1,865,066)
Inventory of materials and supplies	(71,191)	175,487
Prepaid expenses and other current assets	(23,317)	8,404
Net pension asset	23,190	(220,546)
Accounts payable	(1,305,525)	1,052,827
Capital expenditures payable	(2,355,149)	2,052,711
Accrued expenses	(1,006,702)	(934,076)
Other liabilities	(1,924,963)	(500,779)
Net OPEB liability	8,061,588	2,592,580
Net pension liability	41,097,182	(26,560,064)
Other post employment benefits	142,707	(113,179)
Deferred inflow of resources - OPEB	(2,640,923)	2,763,451
Deferred inflow of resources - pension	(11,762,366)	13,417,298
Estimated claims payable	3,221,863	915,738
Net cash used in operating activities	<u>(\$85,135,807)</u>	<u>(\$75,882,135)</u>
Supplemental Disclosure of Noncash Activity		
Increase (decrease) in fair value of investments	<u>(\$2,233)</u>	<u>\$3,361</u>

(concluded)

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

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2019 and 2018

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

2. Summary of Significant Accounting Policies

A. Basis of Accounting

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

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:

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

- 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 “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 and certificates of deposit to be cash equivalents.

F. Investments

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

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2019 and 2018 (continued)

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:

Description	Years
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, health insurance, and workers' compensation claims. SORTA recognizes a liability for such claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

The liability recorded includes the estimated incremental expenses to be incurred to settle the claims, including legal fees. Claims liabilities are based on evaluations of individual claims and a

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2019 and 2018 (continued)

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.

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 2019 or 2018. 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, liabilities, deferred outflows, deferred inflows, 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), 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. Change in Accounting Principle and Restatement of Net Position

For 2018, the Authority implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." GASB Statement No. 75

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 resulted in a restatement to net position as previously reported, effected the Authority's postemployment benefit plan disclosures as presented in Note 9 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements. The net position at January 1, 2018 has been restated as follows:

Net Position - January 1, 2018	\$42,698,009
Adjustments:	
Net OPEB Liability	(34,504,043)
Restated Net Position - January 1, 2018	<u>\$8,193,966</u>

The Authority made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

P. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/ deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Q. Deferred Outflows and Inflows

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. See Notes 8 and 9 for detail on the Authority's deferred outflows of resources related to its net pension liability and net other postemployment benefits (OPEB) liability, respectively. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. See Notes 8 and 9 for detail on the Authority's deferred inflows of resources related to its net pension liability and net OPEB liability, respectively.

R. Reclassifications

Certain prior year balances have been reclassified to conform with current year presentation. The reclassifications had no impact on previously reported net position or changes therein.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2019 and 2018 (continued)

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, losses on the disposal of assets purchased with capital grants, and non-cash GASB 68 and 75 entries. 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 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.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

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, 2019 and 2018, the Authority maintained restricted cash and cash equivalents and investments of \$4,051,636 and \$9,321,289, respectively, and unrestricted cash and cash equivalents and investments of \$19,601,707 and \$28,796,329, respectively. The total cash and investments of \$23,653,343 and \$38,117,618, respectively, consisted of \$4,486,930 and \$9,396,645, respectively, in deposits and \$19,166,413 and \$28,720,973, respectively, in investments.

Interest Rate Risk

Interest rate risk is the risk that the fair value of an investment may decline based on changes in market interest rates. This risk can be reduced, but not eliminated, through the use of common portfolio strategies such as structure (maintaining laddered maturity dates) and diversification (by type of investment, by issuer or by maturity date). Generally, SORTA utilizes a strategy of 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.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy for deposits is collateral is required for demand deposits and certificates of deposit at 105% of all deposits not covered by federal deposit insurance. The collateral is pooled through the Ohio Pooled Collateral System (OPCS). Under this program, public depositories that pledge a collateral pool using the method prescribed in Ohio Rev. Code § 135.18(A)(2) or Ohio Rev. Code § 135.37(A)(2) shall pledge to the Treasurer of State a single pool of eligible securities for the benefit of all public depositors to secure the repayment of all uninsured public deposits at the public depository; provided that at all times the total fair value of securities so pledged is at least equal to either 102% of the total amount of all uninsured public deposits or an amount determined by rules adopted by the Treasurer of State that set forth the criteria for determining the aggregate fair value of the pool of eligible securities pledged by a public depository. Such criteria shall include, but are not limited to, prudent capital and liquidity management by the public depository and the safety and soundness of the public depository as determined by a third-party rating organization. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities, school districts, and district corporations. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required. The carrying value of the Authority's deposits was \$4,486,930 and \$9,396,645 at December 31, 2019 and 2018, respectively. At December 31, 2019, the bank balance of \$3,250,000 was covered by federal depository insurance and \$348,583 was covered by OPCS. At December 31, 2018, the bank balance of \$6,250,000 was covered by federal depository insurance and \$994,919 was covered by OPCS.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)

Although the pledging bank has an investment and securities pool used to collateralize all public deposits, which held in the financial institution's name, noncompliance with federal requirements could potentially subject the Authority to a successful claim by the FDIC. The deposits not covered by federal depository insurance are considered uninsured and uncollateralized and subject to custodial credit risk.

Investments

As of December 31, 2019 and 2018, the fair value of the Authority's investments were as follows:

	2019	2018
Star Treasury Reserve of Ohio (STAROhio)	\$16,393,690	\$13,341,448
U.S. Agency bonds	324,961	742,995
Commercial paper	2,447,762	14,636,530
Total investments	<u>\$19,166,413</u>	<u>\$28,720,973</u>

Investments held by the Authority at December 31, 2019 are presented below, categorized by investment type, maturity, 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	\$324,961	\$ -	\$324,961	\$ -	\$ -
Star Treasury Reserve of Ohio (STAROhio)	16,393,690	-	-	16,393,690	-
Commercial paper	2,447,762	2,447,762	-	-	-
Total Investments	\$ 19,166,413	\$ 2,447,762	\$ 324,961	\$ 16,393,690	\$ -

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)

The following table presents the Authority's investments as of December 31, 2019, by length of maturity.

Investment Type	Balance	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Agency bonds	\$324,961	\$324,961	\$ -	\$ -	\$ -
Star Treasury Reserve of Ohio (STAROhio)	\$16,393,690	\$16,393,690	\$ -	\$ -	\$ -
Commercial paper	\$2,447,762	\$2,447,762	\$ -	\$ -	\$ -

Investments held by the Authority at December 31, 2018 are presented below, categorized by investment type, maturity, 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	\$742,995	\$ -	\$742,995	\$ -	\$ -
Star Treasury Reserve of Ohio (STAROhio)	13,341,448	-	-	13,341,448	-
Commercial paper	14,636,530	14,636,530	-	-	-
Total Investments	\$28,720,973	\$14,636,530	\$742,995	\$13,341,448	\$ -

The following table presents the Authority's investments as of December 31, 2018, by length of maturity.

Investment Type	Balance	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
U.S. Agency bonds	\$742,995	\$742,995	\$ -	\$ -	\$ -
Star Treasury Reserve of Ohio (STAROhio)	\$13,341,448	\$13,341,448	\$ -	\$ -	\$ -
Commercial paper	\$14,636,530	\$14,636,530	\$ -	\$ -	\$ -

STAROhio is valued at amortized cost.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (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 (quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs such as investments and yield curves, implied volatility, and credit spreads); Level 3 inputs are significant unobservable inputs.

As of December 31, 2019 the Authority’s investments had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Level 3	Total
U. S. Agency bonds	\$ -	\$324,961	\$ -	\$324,961
Commercial paper	\$ -	\$2,447,762	\$ -	\$2,447,762

As of December 31, 2018 the Authority’s investments had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Level 3	Total
U. S. Agency bonds	\$ -	\$742,995	\$ -	\$742,995
Commercial paper	\$ -	\$14,636,530	\$ -	\$14,636,530

Cash, cash equivalents and investments at December 31, 2019 and 2018 consist of the following:

	2019	2018
Deposits	\$4,486,930	\$9,396,645
STAROhio	16,393,690	13,341,448
Commercial paper	2,447,762	14,636,530
U.S. Agency Bonds	324,961	742,995
	<u>\$23,653,343</u>	<u>\$38,117,618</u>

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)
5. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Deletions	Transfers	Balance December 31, 2019
Capital assets not being depreciated:					
Land	\$13,153,897	\$ -	\$ -	\$ -	\$13,153,897
Construction in progress	1,227,482	247,764	-	(33,687)	1,441,559
Total capital assets not being depreciated	14,381,379	247,764	-	(33,687)	14,595,456
Capital assets being depreciated:					
Buildings	1,461,241	-	-	-	1,461,241
Improvements	36,237,047	497,276	-	49,027	36,783,350
Revenue vehicles	146,668,815	30,151,465	17,689,906	-	159,130,374
Other equipment	40,478,227	661,509	152,026	(15,340)	40,972,370
Total capital assets being depreciated	224,845,330	31,310,250	17,841,932	33,687	238,347,335
Less accumulated depreciation:					
Buildings	707,259	36,508	-	-	743,767
Improvements	26,619,337	1,703,787	-	-	28,323,124
Revenue vehicles	94,139,524	10,913,101	17,689,906	-	87,362,719
Other equipment	34,714,549	2,037,409	152,026	-	36,599,932
Total accumulated depreciation	156,180,669	14,690,805	17,841,932	-	153,029,542
Total capital assets being depreciated, net	68,664,661	16,619,445	-	33,687	85,317,793
Total capital assets, net	\$83,046,040	\$16,867,209	\$ -	\$ -	\$99,913,249

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Deletions	Transfers	Balance December 31, 2018
Capital assets not being depreciated:					
Land	\$13,153,897	\$ -	\$ -	\$ -	\$13,153,897
Construction in progress	2,038,599	21,215	19,334	(812,998)	1,227,482
Total capital assets not being depreciated	15,192,496	21,215	19,334	(812,998)	14,381,379
Capital assets being depreciated:					
Buildings	1,461,241	-	-	-	1,461,241
Improvements	34,514,438	1,437,651	45,836	330,794	36,237,047
Revenue vehicles	145,588,400	2,407,322	1,326,907	-	146,668,815
Other equipment	40,166,864	569,147	739,988	482,204	40,478,227
Total capital assets being depreciated	221,730,943	4,414,120	2,112,731	812,998	224,845,330
Less accumulated depreciation:					
Buildings	670,705	36,554	-	-	707,259
Improvements	24,946,543	1,716,774	43,980	-	26,619,337
Revenue vehicles	85,387,960	10,078,471	1,326,907	-	94,139,524
Other equipment	33,138,093	2,315,590	739,134	-	34,714,549
Total accumulated depreciation	144,143,301	14,147,389	2,110,021	-	156,180,669
Total capital assets being depreciated, net	77,587,642	(9,733,269)	2,710	812,998	68,664,661
Total capital assets, net	\$92,780,138	(\$9,712,054)	\$22,044	\$ -	\$83,046,040

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, 2019) had been owned by SORTA, the provision for depreciation for the years ended December 31, 2019 and 2018 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
As of December 31, 2019 and 2018 (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, 2019 and 2018 consist of the following:

	2019	2018
Non-operating revenues:		
Federal:		
FTA-Maintenance and other assistance	\$14,399,920	\$15,203,871
State:		
ODOT-Fuel tax reimbursement	\$1,010,383	\$780,363
ODOT-Maintenance and other assistance	4,094,657	0
Total	<u>\$5,105,040</u>	<u>\$780,363</u>
Local:		
Cincinnati Board of Education contract	\$5,717,107	\$6,166,946
Other	503,700	502,395
Total	<u>\$6,220,807</u>	<u>\$6,669,341</u>
Capital grant revenue:		
Federal	\$23,507,336	\$2,415,868
Local	8,050,676	1,897,548
Total	<u>\$31,558,012</u>	<u>\$4,313,416</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 \$423,402 in 2019 and \$526,503 in 2018. At December 31, 2019, the minimum future payments under leases with terms extending beyond one year are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$392,154
2021	485,879
2022	493,105
2023	501,099
2024	470,353
2025-2029	2,447,015
2030-2034	2,373,690
2035-2039	562,470
Total	<u>\$7,725,765</u>

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2019 and 2018 (continued)

8. Defined Benefit Pension Plan

The net pension liability reported on the statement of net position represents a liability to employees for pensions, or an asset in the case of a net pension asset. 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 accrued liabilities.

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
As of December 31, 2019 and 2018 (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):

Group A	Group B	Group C
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
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 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
As of December 31, 2019 and 2018 (continued)**

Funding Policy

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

	2019	2018
Statutory Maximum Contribution Rates		
Employer	14.0%	14.0%
Employee	10.0%	10.0%
Actual Contribution Rates		
Employer:		
Pension	14.0%	14.0%
Post-employment Health Care Benefits	0.0%	0.0%
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 \$6,992,000 for 2019 and \$6,792,000 for 2018. All required contributions have been paid.

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

The 2019 net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 2019 OPERS total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018, and for 2018, January 1, 2017 rolled forward to December 31, 2017. 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:

	2019			2018		
	Traditional	Combined	Total	Traditional	Combined	Total
Proportionate Share of the Net Pension Liability (Asset)	\$95,226,064	(\$405,661)	\$94,820,403	\$54,128,882	(\$428,851)	\$53,700,031
Proportion of the Net Pension Liability	0.347693%	0.362772%		0.345032%	0.315025%	
Pension Expense	\$20,555,506	\$107,693	\$20,663,199	\$12,541,319	\$64,763	\$12,606,082

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)

At December 31, 2019, 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>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$4,393	\$0	
Net difference between projected and actual earnings on pension plan investments	12,924,842	87,386	
Change in assumptions	8,289,621	90,602	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	13,949	25,283	
Authority contributions subsequent to the measurement date	6,772,314	219,567	
Total Deferred Outflows of Resources	\$28,005,119	\$422,838	\$28,427,957
Deferred Inflows of Resources			
Net difference between expected and actual experience	\$1,250,373	\$165,682	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	768,525	57,107	
Total Deferred Inflows of Resources	\$2,018,898	\$222,789	\$2,241,687

At December 31, 2018, 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>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$55,279	\$0	
Net difference between projected and actual earnings on pension plan investments	0	0	
Change in assumptions	6,468,764	37,476	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	176,529	28,737	
Authority contributions subsequent to the measurement date	6,587,461	204,251	
Total Deferred Outflows of Resources	\$13,288,033	\$270,464	\$13,558,497
Deferred Inflows of Resources			
Net difference between expected and actual experience	\$13,784,368	\$219,685	\$14,004,053

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, 2020. 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
As of December 31, 2019 and 2018 (continued)**

Fiscal Year Ending December 31:	Traditional	Combined
2020	\$7,949,158	\$8,825
2021	4,054,702	(8,631)
2022	1,199,042	(6,789)
2023	6,011,005	20,569
2024	-	(14,303)
Thereafter	-	(19,189)
Total	<u>\$19,213,907</u>	<u>(\$19,518)</u>

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, 2018 and 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% - 8.25%
Cost-of-Living Adjustment	3% Simple	3% Simple
Investment Rate of Return	7.20% (2018); 7.50% (2017)	7.20% (2018); 7.50% (2017)
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
As of December 31, 2019 and 2018 (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.

During 2018 and 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. 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 annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018 and a gain of 16.82% for 2017.

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 2018 and 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2018	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	23.00%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other Investments	18.00%	5.50%
TOTAL	100.00%	5.95%

Asset Class	Target Allocation for 2017	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	23.00%	2.20%
Domestic Equities	19.00%	6.37%
Real Estate	10.00%	5.26%
Private Equity	10.00%	8.97%
International Equities	20.00%	7.88%
Other Investments	18.00%	5.26%
TOTAL	100.00%	5.66%

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

Discount Rate The total pension liability was calculated using the discount rate of 7.20 and 7.50 percent for 2019 and 2018, respectively. 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 (7.20 and 7.50 percent for 2019 and 2018, respectively). 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 7.20 and 7.50 percent for 2019 and 2018, respectively, 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 (6.20 and 6.50 percent, respectively), or one percentage point higher (8.20 and 8.50 percent, respectively) than the current rate.

2019:	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Authority's proportionate share of the net pension liability (asset)			
- Traditional Pension Plan	\$140,676,588	\$95,226,064	\$57,456,268
- Combined Plan	(\$134,226)	(\$405,661)	(\$602,202)

2018:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Authority's proportionate share of the net pension liability (asset)			
- Traditional Pension Plan	\$96,119,103	\$54,128,882	\$19,121,691
- Combined Plan	(\$233,118)	(\$428,851)	(\$563,895)

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

9. Postemployment Benefits

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 allocate resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Authority's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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, unforeseen future events require adjusting these estimates 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 OPEB are financed; however, the Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

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**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

In order to qualify for postemployment health care coverage, retirees under the traditional pension and combined plans must have twenty 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 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019 and 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Authority did not make any contributions to OPERS to fund health care in 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, and December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment,

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)

and interest accruals during the year. The following is information related to the proportionate share and OPEB expense:

	2019	2018
Proportion of the Net OPEB Liability:		
Current Measurement Date	0.346368%	0.341613%
Prior Measurement Date	0.341613%	0.341613%
Change in Proportionate Share	<u>0.004755%</u>	<u>0.000000%</u>
Proportionate Share of the Net OPEB Liability	\$45,158,211	\$37,096,623
OPEB Expense	\$4,343,996	\$2,626,106

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$15,291
Net difference between projected and actual earnings on OPEB plan investments	2,070,238
Change in assumptions	1,455,955
Change in proportionate share	346,304
Total Deferred Outflows of Resources	<u>\$3,887,788</u>
Deferred Inflows of Resources	
Net difference between expected and actual experience	\$122,528
Total Deferred Inflows of Resources	<u>\$122,528</u>

At December 31, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>
Deferred Outflows of Resources	
Differences between expected and actual experience	\$28,898
Change in assumptions	2,701,027
Total Deferred Outflows of Resources	<u>\$2,729,925</u>
Deferred Inflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	\$2,763,451
Total Deferred Inflows of Resources	<u>\$2,763,451</u>

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

The Authority did not report any amounts as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date, therefore, none will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31,	OPERS
2020	1,789,136
2021	587,000
2022	346,206
2023	1,042,918
Total	<u>3,765,260</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification 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 and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, and a 2016 valuation rolled forward to 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

	2018	2017
Wage Inflation	3.25 percent	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:		
Current measurement date	3.96 percent	3.85 percent
Prior Measurement date	3.85 percent	4.23 percent
Investment Rate of Return	6.00 percent	6.50 percent
Municipal Bond Rate	3.71 percent	3.31 percent
Health Care Cost Trend Rate	10.0 percent, initial	7.5 percent, initial
Actuarial Cost Method	3.25 percent, ultimate in 2029 Individual entry age normal	3.25 percent, ultimate in 2028 Individual entry age normal

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

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

The long-term expected rate of return on health care 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.

During 2018 and 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60 percent for 2018 and 15.20 percent for 2017.

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and 2017 and the long-term expected real rates of return:

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

Asset Class	2018		2017	
	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00%	2.42%	34.00%	1.88%
Domestic Equities	21.00%	6.21%	21.00%	6.37%
REITs	6.00%	5.98%	6.00%	5.91%
International Equities	22.00%	7.83%	22.00%	7.88%
Other Investments	17.00%	5.57%	17.00%	5.39%
Total	100.00%	5.16%	100.00%	4.98%

Discount Rate

A single discount rate of 3.96 percent and 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2018 and 2017, respectively. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and 6.50 percent and a municipal bond rate of 3.71 percent and 3.31 percent as of December 31, 2018 and 2017, respectively. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031 for December 31, 2018 (2034 for December 31, 2017). As a result, the long-term expected rate of return on health care investments was applied to projected costs through 2031 for December 31, 2018 (2034 for December 31, 2017), and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following tables present the Authority's proportionate share of the net OPEB liability calculated using the single discount rate, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

2019:	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Authority's proportionate share of the net OPEB liability	\$57,774,182	\$45,158,211	\$35,125,179

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)

2018:	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
Authority's proportionate share of the net OPEB liability	\$49,284,464	\$37,096,623	\$27,236,780

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following tables present the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 percent (7.50 percent in 2018). If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

2019:	1% Decrease	Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$43,406,838	\$45,158,211	\$47,175,322

2018:	1% Decrease	Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$35,493,559	\$37,096,623	\$38,752,544

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPERS financial report.

Payable to the OPEB Plan

The Authority did not have a payable to the OPEB plan as of December 31, 2019 and 2018.

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.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
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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, 2019, 499 individuals were eligible to receive life insurance benefits.

On its Statements of Net Position as of December 31, 2019 and 2018, SORTA has recorded an accrued liability for life insurance benefits of \$846,028 and \$703,321, 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:

	2019		2018
Future annual increases in life insurance premiums	2.30%		1.90%
Remaining life expectancy* - Life	15.2 yrs		15.4 yrs
Interest factor	1.60%		2.50%

*Based on U.S. National Center for Health Statistics, Vital Statistics of the U.S. 2017 (most recent available).

The total provision recognized by the Authority for postemployment benefits not provided under OPERS was approximately \$180,000 and (\$73,000) for the years ended December 31, 2019 and 2018, respectively.

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. During 2019, the City of Cincinnati transferred \$3,000,000 of funds previously held in the City Income Tax-Transit Fund (see Note 3) to SORTA. 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.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)

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, 2003, \$400,000 through January 31, 2011, \$500,000 through March 31, 2017, and \$550,000 thereafter.

On January 1, 2018, the Authority became self-insured for public liability/property damage insurance. Prior to this date, the Authority is responsible for all losses incurred; for claims occurring after this date, the Authority is only responsible for \$1,000,000 per occurrence.

Each of these liabilities include an amount for claims that may have been incurred but not reported. These claim liabilities have 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 each of these liabilities is calculated using an interest rate of 1.6%.

On January 1, 2017, the Authority became self-funded for health insurance. In 2019 and 2018 respectively, the plan assumed an \$850,000 and \$900,000 specific stop loss, and a \$300,000 stop loss for the group in both years.

The changes in the liabilities for self-insured risks for the years ended December 31, 2019, 2018 and 2017 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Public Liability/</u> <u>Property Damage</u>	<u>Health</u> <u>Insurance</u>	<u>Total</u>
Balance, January 1, 2017	\$4,084,520	\$1,025,975		\$5,110,495
Claims, net of changes in estimates	711,351	823,152	\$10,221,216	11,755,719
Payments	<u>(797,936)</u>	<u>(171,340)</u>	<u>(8,564,318)</u>	<u>(9,533,594)</u>
Balance, December 31, 2017	<u>3,997,935</u>	<u>1,677,787</u>	<u>1,656,898</u>	<u>7,332,620</u>
Claims, net of changes in estimates	740,102	1,515,908	9,406,871	11,662,881
Payments	<u>(722,064)</u>	<u>(277,776)</u>	<u>(9,747,303)</u>	<u>(10,747,143)</u>
Balance, December 31, 2018	<u>4,015,973</u>	<u>2,915,919</u>	<u>1,316,466</u>	<u>8,248,358</u>
Claims, net of changes in estimates	768,805	4,448,335	9,814,679	15,031,819
Payments	<u>(522,290)</u>	<u>(1,002,925)</u>	<u>(10,284,741)</u>	<u>(11,809,956)</u>
Balance, December 31, 2019	<u>\$4,262,488</u>	<u>\$6,361,329</u>	<u>\$846,404</u>	<u>\$11,470,221</u>

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

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

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, health insurance and workers' compensation. As of December 31, 2019, 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 Statement of Net Position, 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, 2019, 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.

C. Purchase Commitments

The Authority has committed to purchase 29 Metro buses during 2020 at a cost of approximately \$14.7 million, of which Federal grant funding will pay for approximately \$11.0 million.

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. EFPs may be comprised of any single or combined use of futures, options, options on futures, or fixed price delivery contracts. In 2019 and 2018, 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. This means 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 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 \$0.0200 per gallon and \$0.0137 per gallon at December 31, 2019 and 2018, respectively.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2019 and 2018 (continued)

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, 2019 and 2018, gains of \$146,140 (5.3 cents per gallon) and \$845,813 (29.3 cents per gallon), respectively, were recognized as a decrease in diesel fuel expense. On December 31, 2019 and 2018, the remaining open contracts had \$278,473 of unrealized gains and \$563,174 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. New Accounting Pronouncements

In May, 2020, the GASB issued Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance." The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

Statement No. 83, Certain Asset Retirement Obligations (new effective date year ended December 31, 2020)

Statement No. 84, Fiduciary Activities (new effective date year ended December 31, 2020)

Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (new effective date year ended December 31, 2020)

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period (new effective date year ended December 31, 2021)

Statement No. 90, Majority Equity Interests (new effective date year ended December 31, 2020)

Statement No. 91, Conduit Debt Obligations (new effective date year ended December 31, 2022)

Statement No. 92, Omnibus 2020 (new effective date year ended December 31, 2022)

Statement No. 93, Replacement of Interbank Offered Rates (new effective date year ended December 31, 2022)

The effective dates of the following pronouncements are postponed by 18 months:

Statement No. 87 and Implementation Guide 2019-3 Leases (new effective date year ended December 31, 2022)

In May, 2020, the GASB issued Statement No. 96, "Subscription-Based Information Technology Arrangements". This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement will not be effective for SORTA until the year ended December 31, 2023, and as such, the Authority has not yet determined the impact that this statement will have on its financial statements.

In June, 2020, the GASB issued Statement No. 97, "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement will not be effective for SORTA until the year ended December 31, 2022, and as such, the Authority has not yet determined the impact that this statement will have on its financial statements.

14. 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.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2019 and 2018 (continued)

During 2019 and 2018, 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, 2019 and 2018.

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.

In February, 2020, the Authority and the City reached an agreement to mutually terminate the OMIGA effective December 31, 2019, turning operations of the streetcar over to the City. The Authority also assigned all rights with regards to the agreement with Transdev over to the City. The Authority will work with the City during 2020 on various transitional items regarding this termination agreement.

15. Subsequent Events - COVID-19 Pandemic

The United States of America and the State of Ohio declared a state of emergency in March, 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Authority. The Authority's investment portfolio and the investments of the pension and other employee benefit plan in which the Authority participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Authority's future operating costs and revenues, cannot be estimated.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. This over \$2 trillion economic relief package helps protect the American people from the public health and economic impacts of COVID-19. Based on guidelines and calculations from the Federal Transit Administration (FTA), SORTA applied for approximately \$34 million in CARES Act funding. Those funds were received by SORTA in July, 2020.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2019 and 2018 (continued)**

16. Subsequent Events - Funding Initiative

In May, 2020, the voters of Hamilton County passed Issue 7, which approved a 0.8 percent countywide sales tax increase for transit service and transit-related infrastructure improvements. This will also trigger elimination of the 0.3 percent City of Cincinnati earnings tax (City Income Tax-Transit Fund – see Note 3) on City residents and workers that has been Metro's primary funding source for more than 40 years.

Collections of the 0.3 percent City of Cincinnati earnings tax will stop the day after the new sales tax collection starts on October 1, 2020. The Authority will begin receiving sales tax funding from the approved 0.8% increase in January 2021.

In late 2020, the Authority will begin rolling out the *Reinventing Metro* plan, which will include more crosstown routes, more frequent service, 24-hour service on several routes, expanded weekend service, earlier and later service on several routes, circulator routes, extension of Express routes, new service to emerging job centers, and an overall expansion of its service area.

25 percent of the new funding will be used to make transit-related infrastructure improvements throughout Hamilton County. The Authority is working with the Hamilton County Public Works Integrating Committee to finalize the process they will use to approve projects that support the transit system.

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
DEFINED BENEFIT PENSION PLAN
LAST SIX YEARS (1)**

	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.347693%	0.345032%	0.355328%	0.351326%	0.354394%	0.354394%
Authority's Proportionate Share of the Net Pension Liability	\$95,226,064	\$54,128,882	\$80,688,946	\$60,854,092	\$42,743,877	\$41,778,435
Authority's Covered Payroll	\$47,053,297	\$45,604,538	\$45,953,908	\$50,985,667	\$50,690,058	\$44,929,023
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.38%	118.69%	175.59%	119.36%	84.32%	92.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.70%	84.66%	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
DEFINED BENEFIT PENSION PLAN
LAST SIX YEARS (1)

	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Asset	0.362772%	0.315025%	0.374267%	0.33512%	0.333761%	0.333761%
Authority's Proportionate Share of the Net Pension Asset	\$405,661	\$428,851	\$208,305	\$163,077	\$128,506	\$35,022
Authority's Covered Payroll	\$1,458,932	\$1,290,177	\$1,456,850	\$1,415,300	\$1,363,792	\$1,119,731
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	27.81%	33.24%	14.30%	11.52%	9.42%	3.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset		123.62%	137.28%	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
DEFINED BENEFIT PENSION PLAN
LAST SEVEN YEARS (1)**

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$6,772,314	\$6,587,461	\$5,928,590	\$5,514,469	\$6,118,280	\$6,082,807	\$5,840,773
Contributions in Relation to the Contractually Required Contribution	<u>(6,772,314)</u>	<u>(6,587,461)</u>	<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>	<u>\$0</u>	<u>\$0</u>
Authority's Covered Payroll	\$48,373,671	\$47,053,297	\$45,604,538	\$45,953,908	\$50,985,667	\$50,690,058	\$44,929,023
Contributions as a Percentage of Covered Payroll	14%	14%	13%	12%	12%	12%	13%

(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
 DEFINED BENEFIT PENSION PLAN
 LAST SEVEN YEARS (1)**

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$219,567	\$204,251	\$167,723	\$174,822	\$169,836	\$163,655	\$145,565
Contributions in Relation to the Contractually Required Contribution	(219,567)	(204,251)	(167,723)	(174,822)	(169,836)	(163,655)	(145,565)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Authority's Covered Payroll	\$1,568,336	\$1,458,932	\$1,290,177	\$1,456,850	\$1,415,300	\$1,363,792	\$1,119,731
Contributions as a Percentage of Covered Payroll	14%	14%	13%	12%	12%	12%	13%

(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 OPEB LIABILITY -
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM - TRADITIONAL AND COMBINED PLANS
POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
LAST THREE YEARS (1)**

	2019	2018	2017
Authority's Proportion of the Net Pension Liability	0.346368%	0.341613%	0.341613%
Authority's Proportionate Share of the Net Pension Liability	\$45,158,211	\$37,096,623	\$34,504,043
Authority's Covered Payroll	\$48,512,229	\$46,894,715	\$47,410,758
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	93.09%	79.11%	72.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		54.14%	54.05%

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 AND COMBINED PLANS
 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
 LAST SEVEN YEARS (1)**

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$0	\$0	\$468,947	\$948,215	\$1,048,019	\$1,041,077	\$460,488
Contributions in Relation to the Contractually Required Contribution	0	0	(468,947)	(948,215)	(1,048,019)	(1,041,077)	(460,488)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Authority's Covered Payroll	\$49,942,007	\$48,512,229	\$46,894,715	\$47,410,758	\$52,400,967	\$52,053,850	\$46,048,754
Contributions as a Percentage of Covered Payroll	0%	0%	1%	2%	2%	2%	1%

(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 Fiscal Year Ended December 31, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating revenues	\$20,216,445	\$23,060,391	\$2,843,946
Operating expenses other than depreciation and amortization:			
Labor	47,070,530	47,600,723	(530,193)
Fringe benefits	25,420,228	43,191,404	(17,771,176)
Materials and supplies consumed	11,535,516	11,802,137	(266,621)
Services	5,402,342	5,511,906	(109,564)
Utilities	1,129,690	1,389,285	(259,595)
Casualty and liability	1,080,900	4,750,794	(3,669,894)
Taxes	797,524	1,071,082	(273,558)
Purchased transportation services	7,136,121	10,282,842	(3,146,721)
Leases and rentals	807,143	578,148	228,995
Miscellaneous	553,665	1,009,968	(456,303)
Total	<u>100,933,658</u>	<u>127,188,289</u>	<u>(26,254,631)</u>
Depreciation and amortization	14,690,805	14,690,805	-
Total operating expenses	<u>115,624,463</u>	<u>141,879,094</u>	<u>(26,254,631)</u>
Operating loss	<u>(95,408,018)</u>	<u>(118,818,703)</u>	<u>(23,410,685)</u>
Non-operating revenues (expenses):			
Local operating grants and special fare assistance	65,660,929	62,324,709	(3,336,220)
Federal maintenance grants and reimbursements	12,915,038	14,399,920	1,484,882
State maintenance grants, reimbursements and special fare assistance	747,275	5,105,040	4,357,765
Investment income-net	775,000	754,377	(20,623)
Decrease in fair value of investments	-	(2,233)	(2,233)
Non-transportation revenue	618,971	3,937,716	3,318,745
Other non-operating expenses	(1,142,978)	(1,142,978)	-
Total	<u>79,574,235</u>	<u>85,376,551</u>	<u>5,802,316</u>
Net loss before capital grant activity	<u>(15,833,783)</u>	<u>(33,442,152)</u>	<u>(17,608,369)</u>
Capital grant revenue	-	31,558,012	31,558,012
Decrease in net position during the year	<u>(15,833,783)</u>	<u>(1,884,140)</u>	<u>13,949,643</u>
Net position, beginning of year	<u>(8,383,660)</u>	<u>(8,383,660)</u>	<u>-</u>
Net position, end of year	<u>(\$24,217,443)</u>	<u>(\$10,267,800)</u>	<u>\$13,949,643</u>

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STATISTICAL SECTION

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

Contents	Page(s)
Financial Trends	69-76
<p>These schedules contain trend information to help the reader understand how the Authority’s financial performance and well-being have changed over time.</p>	
Revenue Capacity	77
<p>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.</p>	
Debt Capacity	78
<p>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.</p>	
Economic and Demographic Information	79-80
<p>These schedules offer economic and demographic indicators to help the reader understand the environment within which the Authority’s financial activities take place.</p>	
Operating Information	81-88
<p>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.</p>	

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

Southwest Ohio Regional Transit Authority

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenues										
Passenger fares for transit service	\$23,211	\$22,778	\$23,387	\$23,495	\$22,904	\$21,859	\$21,220	\$20,623	\$20,151	\$21,210
Special transit fares	689	717	668	728	817	871	921	982	953	935
Auxiliary transportation revenue	409	585	598	574	540	666	907	991	1,049	916
Total operating revenues	24,309	24,081	24,653	24,797	24,262	23,396	23,048	22,596	22,154	23,060
Non-operating revenues										
Operating assistance from the City of Cincinnati										
Income Tax-Transit Fund	36,679	37,457	41,625	42,978	44,417	47,340	50,242	50,535	54,759	56,104
Federal maintenance grants and reimbursements	15,701	15,404	15,082	15,521	17,193	14,764	15,325	15,401	15,204	14,400
Federal grant pass-through	351	271	244	5,368	21,983	13,545	3,833	0	0	0
State maintenance grants and reimbursements and special fare assistance	1,248	862	807	804	784	790	780	767	780	5,105
Local operating grants and fare assistance	7,351	7,167	7,209	6,413	6,617	6,442	6,276	6,454	6,669	6,221
Investment income, net	611	236	147	88	107	118	151	327	714	754
Increase (decrease) in fair value of investments	(507)	(46)	2	(15)	5	12	4	(6)	3	(2)
Non-transportation revenue	690	673	392	657	476	1,114	2,397	3,841	3,618	3,938
Total non-operating revenues	62,124	62,024	65,508	71,814	91,581	84,126	79,009	77,318	81,747	86,520
Total Revenues	86,433	86,105	90,161	96,611	115,843	107,522	102,057	99,914	103,901	109,580
Operating expenses										
Labor	38,284	39,632	40,470	41,135	42,660	42,947	43,689	44,251	46,317	47,601
Fringe benefits	19,395	18,725	20,699	21,552	21,986	19,756	25,835	35,824	29,779	43,191
Materials and supplies consumed	12,663	12,713	15,148	14,793	14,954	14,677	12,735	12,179	12,069	11,802
Services	3,726	3,371	3,408	3,486	3,799	4,553	6,537	5,309	6,550	5,512
Utilities	1,868	1,602	1,402	1,475	1,519	1,435	1,108	1,201	1,212	1,389
Casualty and liability	1,769	804	515	67	(19)	14	788	844	1,671	4,751
Taxes	853	851	862	846	865	842	830	818	844	1,071
Purchased transportation services	5,475	5,465	5,522	5,136	5,424	6,131	7,768	9,277	9,785	10,283
Leases and rentals	503	547	568	588	647	596	613	654	671	578
Miscellaneous	627	561	681	921	790	652	758	768	738	1,010
Grant pass-through	351	271	244	5,368	21,983	13,545	3,833	0	0	0
Depreciation and amortization	11,485	10,608	13,804	14,449	14,191	14,783	15,389	15,249	14,147	14,691
Total operating expenses	96,999	95,150	103,322	109,815	128,797	119,930	119,883	126,374	123,781	141,879
Non-operating expenses	1,147	1,575	852	1,300	1,420	1,117	1,061	1,026	1,011	1,143
Total Expenses	98,146	96,725	104,174	111,115	130,217	121,047	120,944	127,400	124,792	143,022

(continued)

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Capital grant revenue	9,641	22,023	21,788	20,708	3,836	20,804	12,321	1,327	4,313	31,558
Increase (decrease) in net position	(\$2,072)	\$11,403	\$7,774	\$6,204	(\$10,538)	\$7,278	(\$6,566)	(\$26,159)	(\$16,578)	(\$1,884)
Net position at year-end										
Net investment in capital assets	\$88,555	\$99,958	\$107,659	\$114,077	\$103,449	\$109,815	\$106,713	\$76,535	\$67,422	\$93,763
Restricted	746	4,350	2,238	6,053	7,098	494	312	555	2,697	407
Unrestricted	(503)	(4,107)	(1,921)	(5,951)	(6,906)	(34,886)	(38,168)	(34,392)	(78,503)	(104,438)
Total net position	\$88,797	\$100,201	\$107,975	\$114,179	\$103,641	\$75,423	\$68,857	\$42,698	(\$8,384)	(\$10,268)

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: The 2018 net position reflects a \$34,504 adjustment related to the adoption of GASB 75.

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

Southwest Ohio Regional Transit Authority

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Revenues										
Passenger fares for transit service (1)	\$30,669	\$30,001	\$30,596	\$29,909	\$29,522	\$28,301	\$27,496	\$27,077	\$26,821	\$27,430
Special transit fares	689	717	668	728	817	871	921	982	953	935
Auxiliary transportation revenue	409	585	598	574	540	666	907	991	1,049	916
Total operating revenues	31,767	31,303	31,862	31,211	30,879	29,838	29,325	29,050	28,823	29,281
Non-Operating Revenues										
Operating assistance from the City of Cincinnati										
Income Tax-Transit Fund	36,679	37,457	41,625	42,978	44,417	47,340	50,242	50,535	54,759	56,104
Federal grants and reimbursements (1)	15,701	15,404	15,082	15,521	17,193	14,764	15,325	15,401	15,204	14,400
Federal grant pass-through: City of Cincinnati Street	0	0	0	5,096	21,731	13,355	3,770	0	0	0
Federal grant pass-through: Everybody Rides Metro	351	271	244	272	252	190	63	0	0	0
State grants and reimbursements (1)	1,141	806	807	804	784	790	780	767	780	5,105
Investment income	104	190	149	73	112	130	155	321	717	752
Non-transportation revenues	690	673	392	657	476	1,114	2,397	3,841	3,618	3,938
Total non-operating revenues	54,666	54,801	58,299	65,401	84,964	77,683	72,732	70,864	75,078	80,299
Total Revenues	\$86,433	\$86,104	\$90,161	\$96,612	\$115,843	\$107,521	\$102,057	\$99,914	\$103,901	\$109,580

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

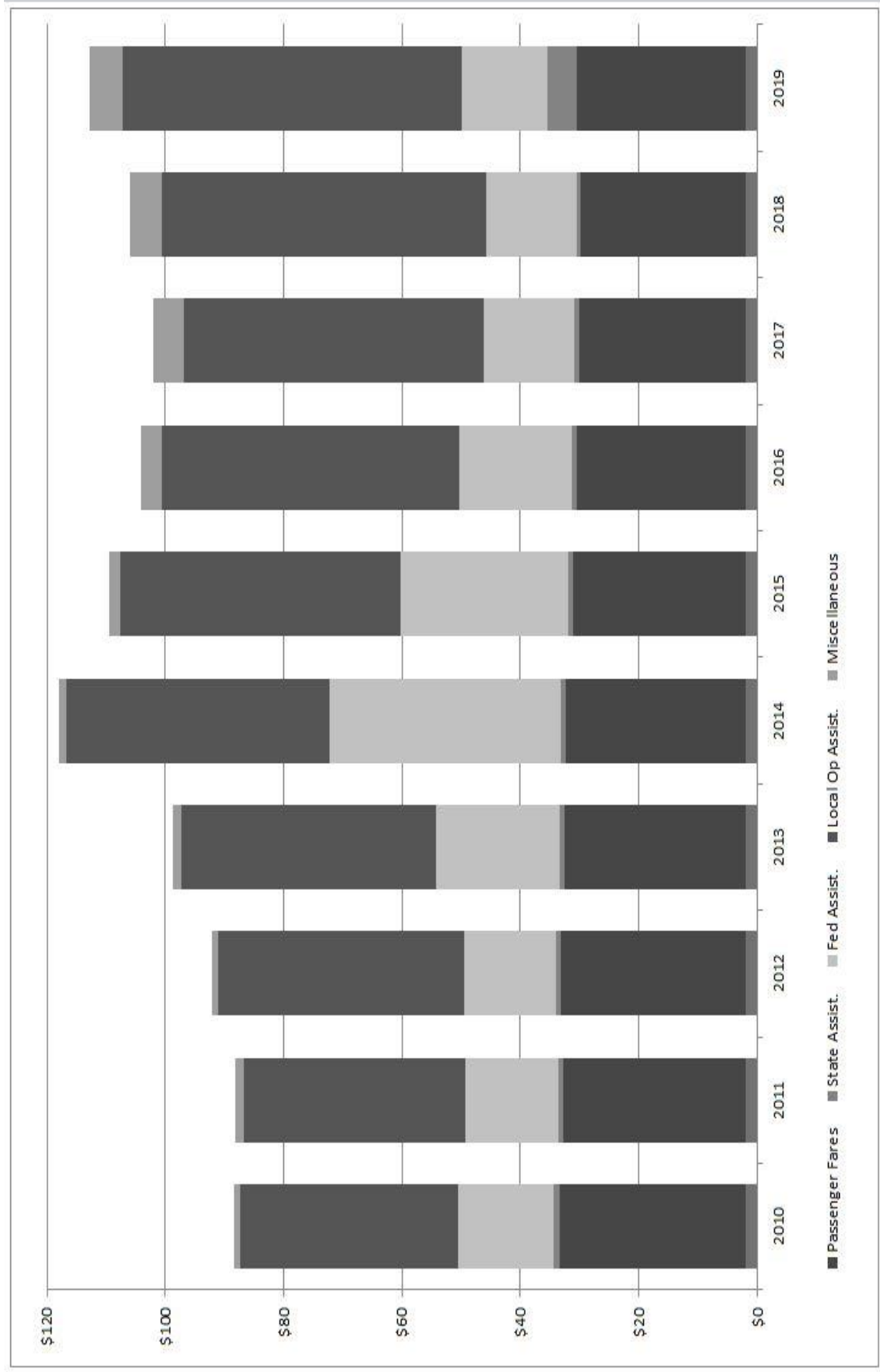
Totals may not be mathematically accurate as displayed due to rounding.

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	
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	32.5%	4.9%	37.4%	54.3%	8.3%	62.6%	100.0%
2016	31.3%	5.0%	36.3%	55.7%	8.0%	63.7%	100.0%
2017	31.3%	5.0%	36.3%	55.2%	8.5%	63.7%	100.0%
2018	30.7%	5.4%	36.1%	55.3%	8.6%	63.9%	100.0%
2019	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY:

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
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%
2018	26.7%	5.2%	31.9%	53.5%	14.6%	68.1%	100.0%
2019	25.6%	5.1%	30.7%	56.3%	13.0%	69.3%	100.0%

*Information is not available

(1) Source: The American Public Transit Association, "2020 APTA 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.

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

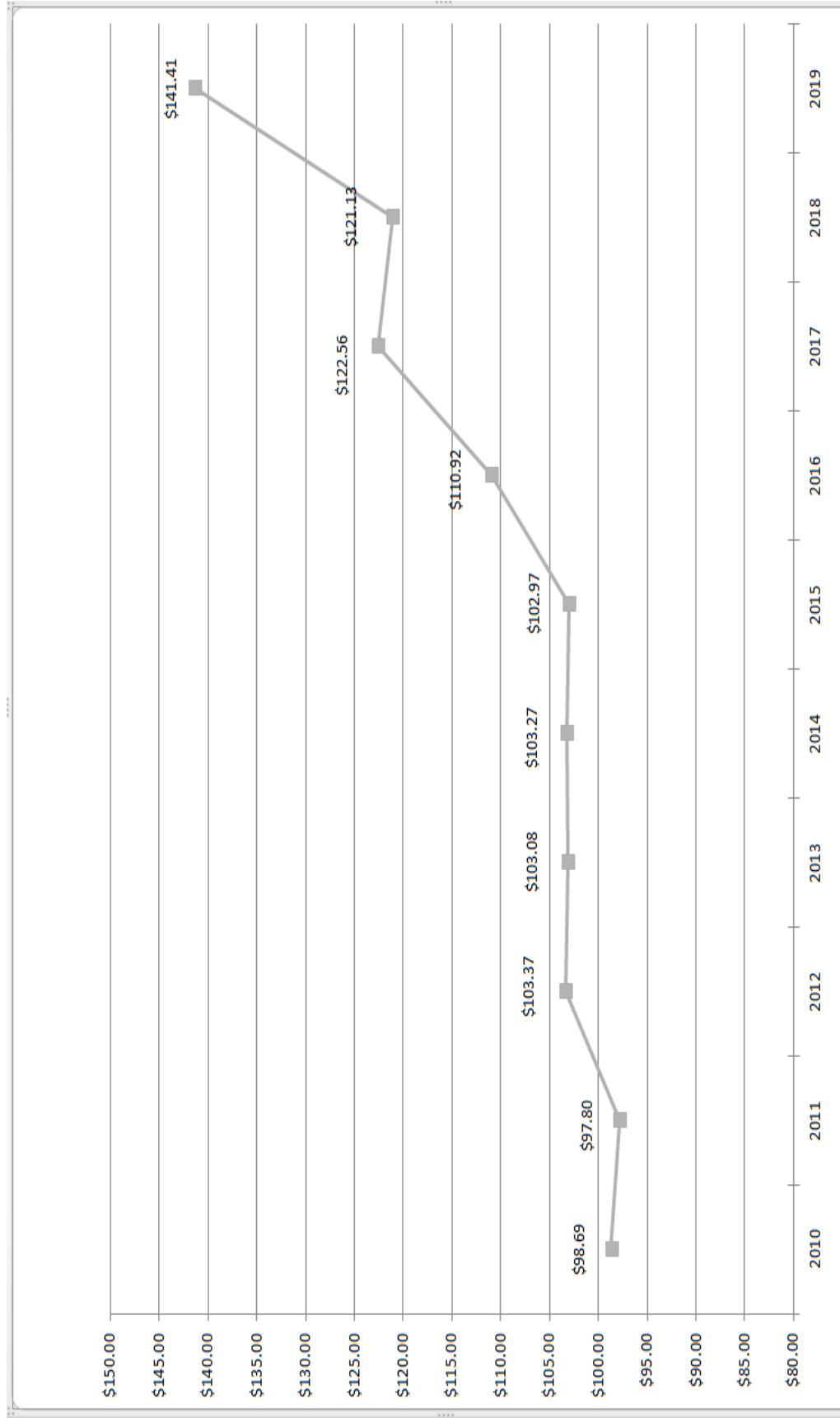
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating Expenses Other Than Depreciation and Amortization:										
Labor	\$38,284	\$39,632	\$40,470	\$41,135	\$42,660	\$42,947	\$43,689	\$44,251	\$46,317	\$47,601
Fringe Benefits	19,395	18,725	20,699	21,552	21,986	19,756	25,835	35,824	29,779	43,191
Materials and supplies consumed	12,663	12,713	15,148	14,793	14,954	14,677	12,735	12,179	12,069	11,802
Services	3,726	3,371	3,408	3,486	3,799	4,553	6,537	5,309	6,550	5,512
Utilities	1,868	1,602	1,402	1,475	1,519	1,435	1,108	1,201	1,212	1,389
Casualty and liability	1,769	804	515	67	(19)	14	788	844	1,671	4,751
Taxes	853	851	862	846	865	842	830	818	844	1,071
Purchased transportation services	5,475	5,465	5,522	5,136	5,424	6,131	7,768	9,277	9,785	10,283
Leases and rentals	503	547	568	588	647	596	613	654	671	578
Miscellaneous	627	561	681	921	790	652	758	768	738	1,010
Total	85,163	84,271	89,275	89,999	92,624	91,602	100,661	111,125	109,634	127,188
Federal grant pass-through: City of Cincinnati Streetcar	0	0	0	5,096	21,731	13,355	3,770	0	0	0
Federal grant pass-through: Everybody Rides Metro	351	271	244	272	252	190	63	0	0	0
Depreciation and Amortization	11,485	10,608	13,804	14,449	14,191	14,783	15,389	15,249	14,147	14,691
Total Operating Expenses	\$96,999	\$95,150	\$103,322	\$109,816	\$128,798	\$119,930	\$119,883	\$126,374	\$123,781	\$141,879

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.

**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 AND TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)	
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	61.5%	9.8%	7.3%	3.0%	2.4%	14.2%	1.8%	100.0%	
2016	62.8%	8.9%	7.6%	2.7%	2.7%	13.7%	1.6%	100.0%	
2017	61.9%	8.7%	8.0%	2.8%	2.8%	14.2%	1.6%	100.0%	
2018	61.5%	8.7%	8.3%	2.9%	2.6%	14.5%	1.5%	100.0%	
2019	*	*	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY (3):									
YEAR	LABOR AND FRINGES	MATERIALS AND SUPPLIES	SERVICES	UTILITIES	CASUALTY AND LIABILITY	PURCHASED AND TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)	
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%	
2018	69.4%	11.0%	6.0%	1.1%	1.5%	8.9%	2.1%	100.0%	
2019	71.4%	9.3%	4.3%	1.1%	3.7%	8.1%	2.1%	100.0%	

* Information is not available
 (1) Source: The American Public Transit Association, "2020 APTA 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 BALANCE	.3% INCOME TAX COLLECT	OTHER RECEIPTS	DISTRIBUTIONS TO SORTA	OTHER DISTRIBUTIONS	ENDING BALANCE
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
2018	5,991	54,158	166	51,799	703	7,813
2019	7,813	59,184	110	56,200	960	9,947
		\$503,242	\$1,236	\$495,592	\$10,279	

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.

Southwest Ohio Regional Transit Authority

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Outstanding debt by type:										
Capital lease obligation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total outstanding debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Population - Hamilton County, Ohio (1)	802	800	802	805	807	808	809	814	817	817
Outstanding debt per capita	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Notes: SORTA had 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>
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	134,786	4.3%	809,099
2017	134,916	4.4%	813,822
2018	*	4.1%	816,684
2019	*	3.8%	817,473

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.*

**Principal Employers in Primary Service Area
Calendar Years 2019 and 2010**

2019

Employer	Nature of Business	Employees	Percentage of Total County Employment
Cincinnati Children's Hospital Medical Center	Pediatric medical center	15,796	3.9%
Kroger Co.	National grocery retailer	14,987	3.7%
Trihealth, Inc.	Health care system	12,332	3.1%
UC Health	Health care system	11,000	2.7%
Bon Secours Mercy Health	Health care system	10,500	2.6%
University of Cincinnati	Public university	10,159	2.5%
Proctor & Gamble Co.	Consumer products company	10,000	2.5%
General Electric	Jet engines/components	9,700	2.4%
Fifth Third Bancorp	Banking and financial services	7,366	1.8%
City of Cincinnati	Local government	6,631	1.7%
Total		108,471	27.1%
Total County Employment:		400,400	

2010

Employer	Nature of Business	Employees	Percentage of Total County Employment
Kroger Co.	National grocery retailer	17,000	4.3%
University of Cincinnati	Public university	15,162	3.9%
Proctor & Gamble Co.	Consumer products company	14,000	3.6%
Cincinnati Children's Hospital Medical Center	Pediatric medical center	12,057	3.1%
Trihealth, Inc.	Health care system	9,898	2.5%
Mercy Health Partners	Health care system	8,550	2.2%
Archdiocese of Cincinnati	Roman Catholic diocese	8,000	2.0%
GE Aviation	Jet engines/components	7,300	1.9%
Wal-Mart Stores	National retail chain	6,932	1.8%
St Elizabeth Healthcare	Health care system	6,839	1.7%
Total		105,738	27.0%
Total County Employment		390,900	

Source: 2019 Business Courier Book of Lists; 2010 Business Courier Book of Lists.

Southwest Ohio Regional Transit Authority

Operating Statistics – Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
System Ridership (1)										
Motor bus	18,821,828	18,784,769	17,390,349	16,769,004	16,426,147	15,964,372	15,013,274	14,265,533	13,750,630	13,244,916
Demand responsive	185,804	172,963	162,771	177,004	198,202	210,381	222,719	227,896	231,101	226,683
Average Weekday System Ridership (1)										
Motor bus	64,711	63,706	59,544	57,247	55,423	54,289	51,046	48,785	46,903	45,133
Demand responsive	648	604	570	631	716	761	807	827	838	826
Vehicle Miles Operated (1)										
Motor bus	10,947,052	11,075,394	11,175,537	11,081,761	11,254,346	11,171,698	11,226,917	11,158,571	11,125,973	10,929,413
Demand responsive	1,629,544	1,531,529	1,450,664	1,528,330	1,643,738	1,713,592	1,776,392	1,802,344	1,997,277	1,852,374
Average Weekday Vehicle Miles Operated (1)										
Motor bus	37,101	37,506	37,908	37,627	38,261	37,937	38,076	37,980	37,881	37,129
Demand responsive	5,687	5,350	5,079	5,447	5,936	6,199	6,437	6,543	7,241	6,473
Revenue Miles (1)										
Motor bus	8,923,481	9,178,389	9,351,070	9,464,791	9,669,391	9,558,809	9,622,716	9,587,065	9,601,059	9,409,799
Demand responsive	1,422,463	1,335,563	1,258,233	1,315,545	1,379,346	1,431,799	1,486,637	1,510,091	1,560,675	1,543,875
Passenger Miles (1)										
Motor bus	86,058,502	94,763,303	86,595,685	81,125,391	89,546,000	97,051,405	83,272,418	80,448,290	81,723,692	71,291,464
Demand responsive	1,931,873	2,056,530	1,816,524	1,964,744	1,978,056	2,259,492	2,171,491	2,219,697	2,771,663	2,464,066

(continued)

Operating Statistics – Last Ten Years (continued)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Vehicle Hours Operated (1)										
Motor bus	760,187	767,333	774,170	778,325	791,988	787,944	793,414	790,422	785,193	777,731
Demand responsive	102,726	94,368	89,439	94,763	104,948	109,880	114,106	116,291	119,912	121,708
Vehicle Revenue Hours (1)										
Motor bus	687,273	695,282	713,214	717,809	736,720	731,157	736,542	734,962	731,941	724,450
Demand responsive	83,638	77,724	73,299	77,564	84,275	88,198	92,111	94,096	97,140	98,619
Diesel Fuel Consumption (In Gallons) (1)	2,965,930	2,977,079	2,992,001	2,957,637	2,944,422	2,911,345	2,900,930	2,839,431	2,890,234	2,763,826
Fleet Requirements (During Peak Hours) (1)										
Motor bus	280	287	289	297	297	297	299	299	294	281
Demand responsive	48	48	48	48	48	48	48	48	48	48
Total Revenue Vehicles During Period (1)										
Motor bus	333	344	346	356	356	357	357	360	356	356
Demand responsive	53	48	48	48	48	56	56	56	56	56
Number of Full Time Employees (2) (3)	722	704	719	808	791	834	780	859	821	848

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, 2019

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

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

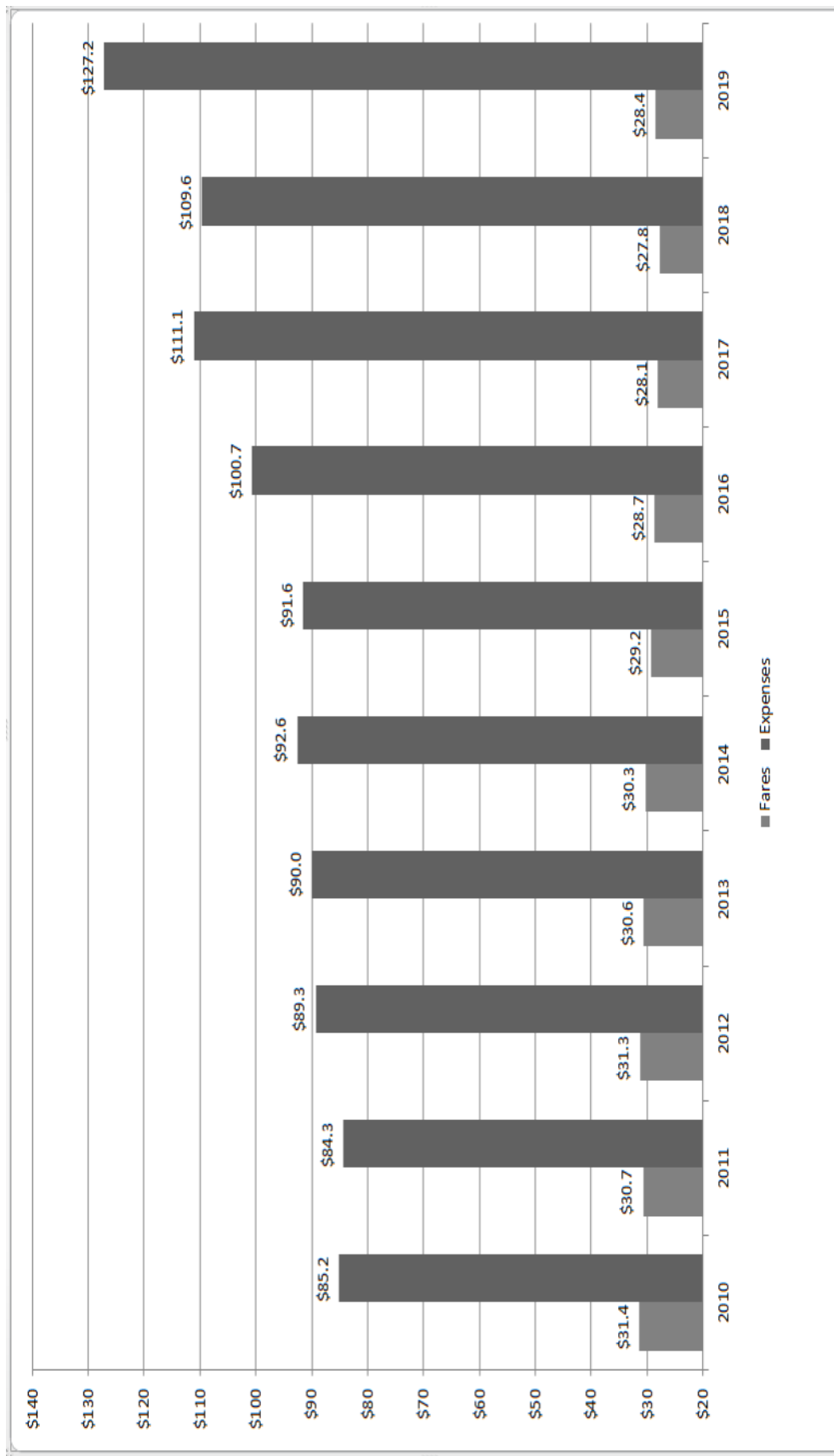
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Southwest Ohio Regional Transit Authority
Capital Asset Information as of December 31, 2019 (continued)

<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>
2	2009	Eldorado	37	2006	Gillig
3	2011	Chevrolet	1	2008	Gillig
20	2013	Eldorado	30	2008	New Flyer
18	2015	Eldorado	67	2009	New Flyer
2	2016	Eldorado	7	2010	New Flyer
11	2019	Ford	1	2011	Gillig
56	Total Paratransit Vehicles		14	2011	New Flyer
			44	2012	Gillig
			33	2013	Gillig
			37	2015	Gillig
			22	2016	Gillig
			23	2018	Gillig
			41	2019	Gillig
			357	Total Buses	

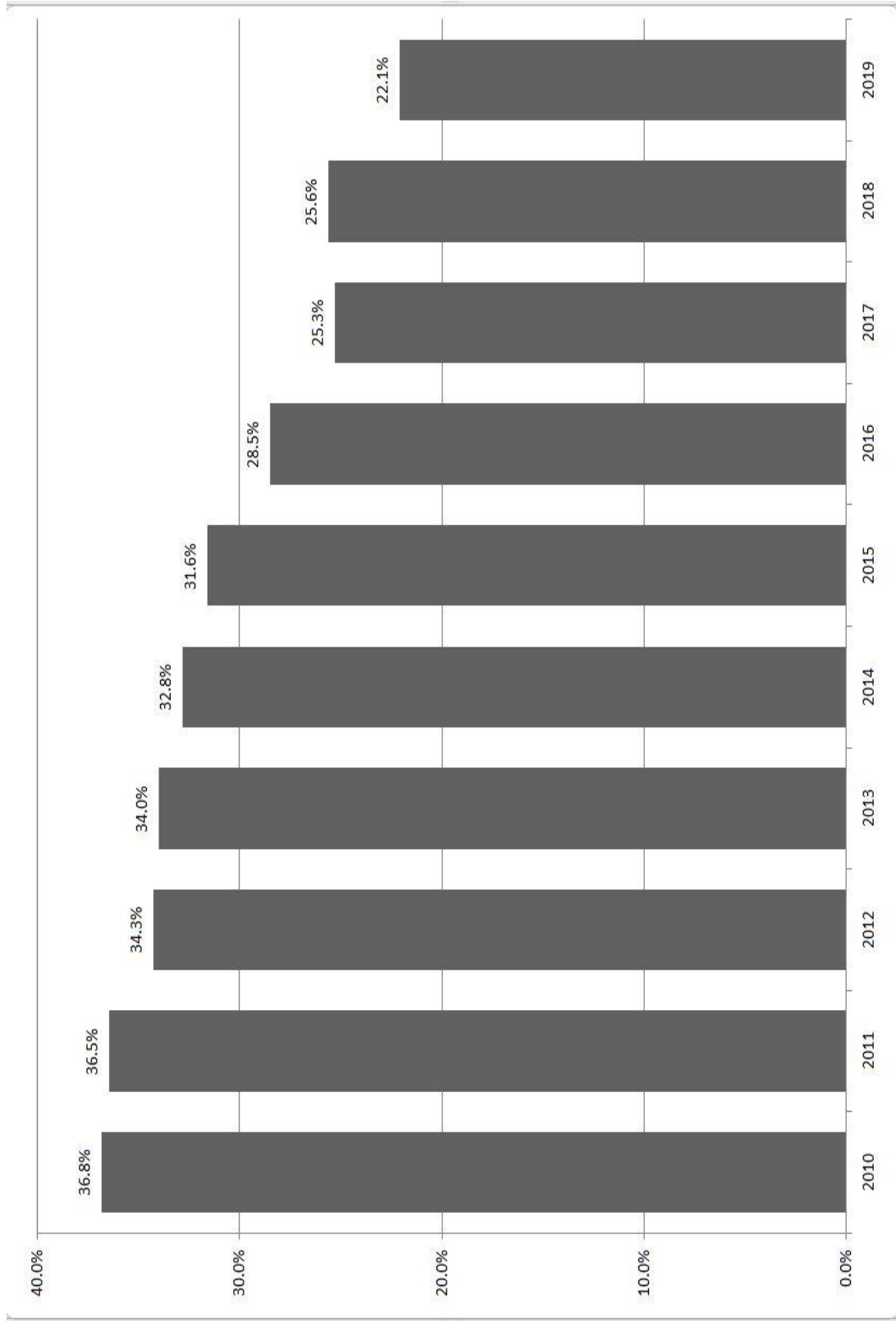
Southwest Ohio Regional Transit Authority

Passenger Fares vs. Operating Expenses – Last Ten Years



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

Passenger Fares Recovery Ratio - Last Ten Years



Southwest Ohio Regional Transit Authority

Revenue Rates – Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cash or Token Fares										
Zone 1 fare (3)	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75	\$1.75
Zone 2 fare (3)	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65
Zone 3 fare (3)	\$3.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Day Pass Zone 1 fare (3)	N/A	N/A	N/A	N/A	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Day Pass Zone 2 fare (3)	N/A	N/A	N/A	N/A	\$6.30	\$6.30	\$6.30	\$6.30	\$6.30	\$6.30
Day Pass Metro/Tank (3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$5.00
Express Service (Monday-Friday)(Harrison)	N/A	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Express Service(Monday-Friday)(Clermont County)	N/A	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75
Express Service (Monday-Friday) Zone 4 (3)	\$3.50	\$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)	\$4.25	\$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
Transfers	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Access Zone 1 (1)	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50
Access Zone 2 (1)	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Monthly Passes										
MetroCard Zone 1 Pass (City of Cincinnati)	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00	\$70.00
MetroCard Zone 2 Pass (Hamilton County)	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00	\$106.00
MetroCard Zone 3 Pass (Clermont and Harrison)	\$120.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MetroCard Harrison Zone Pass	N/A	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
MetroCard Clermont Zone Pass	N/A	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00
MetroCard Zone 4 Pass (Butler County)	\$140.00	\$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)	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00	\$170.00
Metro/Tank Pass (Zone 1) (3)	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00	\$105.00
Fare Deal (2)	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50	\$38.50
Discount Fares (Fare Deal (2) and Children under 45")										
Zone 1 fare	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85	\$0.85
Zone 2 fare	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30
Zone 3 fare	\$1.50	\$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) Six zones - 1) City of Cincinnati, 2) Hamilton County outside City, 3) Harrison Express, 4) Butler County, 5) Warren County, 6) Clermont County
 (4) The revenue base to which these rates are applied can be found in Operating Statistics - Last Ten Years - System Ridership

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Vehicle Operations	505.0	509.0	514.0	511.0	496.5	528.0	503.5	541.0	521.0	546.0
Vehicle Maintenance	187.0	182.0	182.0	185.0	182.0	173.0	169.0	196.0	182.0	189.0
Non-Vehicle Maintenance	27.0	24.0	25.0	26.0	28.0	35.0	26.0	28.0	30.0	28.0
General Administration	80.0	85.5	88.0	91.0	86.5	100.0	81.0	88.0	82.0	75.0
Paratransit Service	7.5	5.5	5.5	5.0	6.0	4.5	4.5	6.0	6.0	10.0
Total Employees	806.5	806.0	814.5	818.0	799.0	840.5	784.0	859.0	821.0	848.0

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

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

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

YEAR ENDED DECEMBER 31, 2019



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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**

Finance Committee
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, 2019, 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 28, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, which we consider to be a material weakness.

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*.

Southwest Ohio Regional Transit Authority’s Response to Finding

The Authority’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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 28, 2020



**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**

Finance Committee
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 the Authority's major federal program for the year ended December 31, 2019. The Authority's major federal program is 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 program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program 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 the 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 its major federal program for the year ended December 31, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated July 28, 2020, 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 expenditures 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 28, 2020

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**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Identifying Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Transportation:				
Federal Transit Administration (FTA):				
Federal Transit Cluster:				
Received directly from FTA:				
Formula Grants	20.507	N/A	\$ -	\$ 31,941,926
State of Good Repair Grants Program	20.525	N/A	-	5,090
Bus Program	20.526	N/A	-	<u>5,366,491</u>
Total Federal Transit Cluster			-	37,313,507
Transit Services Program Cluster:				
Received Directly from FTA:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	596,245	596,245
U.S. Department of Homeland Security:				
Federal Emergency Management Agency (FEMA):				
Passed through Ohio Department of Public Safety				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4360-DR	<u>341,572</u>	<u>341,572</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 937,817</u>	<u>\$ 38,251,324</u>

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019**

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. 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, 2019. 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 position, 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, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditor’s report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u> </u> yes	<u> X </u> none reported

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

Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200 516(a)?	<u> </u> yes	<u> X </u> no
--	-------------------	-----------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507, 20.525, and 20.526	Federal Transit Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,147,540

Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Section II – Financial Statement Findings

2019 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: A material journal entry was required as part of the audit process, to conform to accounting principles generally accepted in the United States of America. The liability and expense recorded included a reserve for future years fluctuations. The entry was required to correct the self-insured health claim liability and the related expense to the estimated incurred amounts.

Criteria or specific requirement: Internal controls over the financial statements require close review of all balances to ensure they are in accordance with accounting principles generally accepted in the United States of America.

Context: During our review of the self-insured health claim liability, it was noted that a \$1.1M reserve was recorded for a future fluctuations in claims costs.

Effect: Accrued liabilities and health claims expense was overstated.

Cause: Management was being financially responsible by reserving funds so they had adequate resources to pay for future fluctuations in claims. They have corrected their approach to doing this.

Repeat Finding: Not a repeat finding from 2018

Recommendation: It is recommended that management review all liability and expense accounts and ensure that only expenses that meet the definition of “incurred” are recorded at year-end.

Views of responsible officials: We concur with this finding.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SUMMARY OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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U.S. Department of Transportation

Southwest Ohio Regional Transit Authority respectfully submits the following corrective action plan for the year ended December 31, 2019.

Audit period: Year Ended December 31, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2019-001 Material Weakness in Internal Control over Financial Reporting

Recommendation: It is recommended that management review all liability and expense accounts and ensure that only expenses that meet the definition of “incurred” are recorded at year-end.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: In accordance with the Medical Reserve Policy approved by the SORTA Board on 10/16/2018, the Chief Financial Officer will recommend the dollar amount in 2020 that shall be contributed to the reserve fund in accordance with this policy for approval by the Board Finance Committee. Management will also review the entries recorded related to the self-insured health claim liability ensure that all liabilities and expenses incurred are recorded in accordance with this recommendation.

Name(s) of the contact person(s) responsible for corrective action: Michelle Jeng, CFO

Planned completion date for corrective action plan: December 31, 2020

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

There are no federal award findings in 2019

If the U.S. Department of Transportation has questions regarding this schedule, please call Michelle Jeng, Chief Financial Officer, at 513-632-7604.





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U.S. Department of Transportation

Southwest Ohio Regional Transit Authority respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2019.

Audit period: December 31, 2018

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS – FINANCIAL STATEMENT AUDIT

2018-001

Condition: Two material journal entries were required as part of the audit process, to conform to accounting principles generally accepted in the United States of America. One was to correct the timing of a recording of a receivable and a related self-insurance liability. The other related to the timing of funds being transferred at year-end to the new payroll service provider, it amounted to a material weakness.

Status: During this year's review of journal entries, we noted that corrective actions were implemented. No similar findings were noted for the 2019 audit related to these transactions.

FINDINGS – FEDERAL AWARD PROGRAM AUDITS

There were no federal award findings in the prior year.

If the U.S. Department of Transportation has questions regarding this schedule, please call Michelle Jeng, Chief Financial Officer, at 513-632-7604.

OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/13/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov