

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY

HAMILTON COUNTY, OHIO

REGULAR AUDIT

FOR FISCAL YEARS ENDED DECEMBER 31, 2020 AND 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Southwest Ohio Regional Transit Authority
525 Vine Street, Suite 500
Cincinnati, Ohio 45202

We have reviewed the *Independent Auditor's Report* of Southwest Ohio Regional Transit Authority, Hamilton County, prepared by CliftonLarsonAllen LLP, for the audit period January 1, 2020 through December 31, 2020. 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. Southwest Ohio Regional Transit Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 01, 2021

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Southwest Ohio Regional Transit Authority

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Years Ended December 31, 2020 and 2019

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July 20, 2021

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 (ACFR) of the Southwest Ohio Regional Transit Authority ("SORTA" or "The Authority") for fiscal years ended December 31, 2020 and 2019. This ACFR 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 ACFR 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 ACFR 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, 2020. CliftonLarsonAllen's Independent Auditors' Report can be found on page 11 of this ACFR.

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, 2020, 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, 2019, representing the 29th 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 ACFR 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.

Trustees

Kreg Keesee
Chair

Robert Harris
Vice Chair

Alyson Beridon
Heidi Black
Maurice Brown
Chelsea Clark
Brendon Cull
Blake Ethridge
Allen Freeman
Rod Hinton
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Pete McLinden
Gwen Robinson
Sonja Taylor
Larry Thompson
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



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

This ACFR 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, 2020 and 2019, 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, 2020.

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.

With the passage of Issue 7 in the spring of 2020, Hamilton County voters approved a sales tax levy of 0.8 percent and a new funding source for Metro. The funds from the sales tax levy replace the funds SORTA had previously received through the City due to a previous successful vote to (conditionally) rescind the portion of the City of Cincinnati's earnings tax (0.3 percent) that previously funded Metro services should the sales tax levy pass. The proportionate share of funds and/or support (as defined by the Federal Transit Administration guidelines) for operating and capital assistance is now provided for by the Hamilton County Sales Tax.

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 2020, Metro operated a total of about 630,000 hours of service over 8.2 million miles, providing approximately 7.3 million rides.

Access provides demand-response, shared-ride service in Hamilton County for persons whose disabilities prevent them from riding Metro fixed route service. Effective January 1, 2020, Access is managed and operated by SORTA, which uses Access's fleet of 48 lift-equipped vehicles and 4 ambulatory vehicles. SORTA's Director of Accessible Services provides oversight for this service. In 2020, Access provided about 102,000 passenger trips over 820,000 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 a 16-member volunteer citizens board of trustees. Eleven trustees are appointed by Hamilton County and five are appointed by the City of Cincinnati. Three of the Hamilton County appointees are non-voting trustees representing Butler, Clermont, and Warren counties. 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.

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

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

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

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

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

FINANCIAL INFORMATION

Basis of Accounting

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

Budgetary Controls

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

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

Internal Control Structure

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

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

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

Financial Operating Results

Management's Discussion and Analysis (MD&A) on pages 14-19 of this ACFR 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's services have been dominated by the COVID-19 pandemic and its response to it, as have all the data in this section. However, Metro has made several major accomplishments despite dealing with this once-in-a-lifetime health challenge:

- A citizens' group led a successful levy campaign to get a 0.8 percent Hamilton County sales tax increase during a pandemic in a postponed primary election.
- Celebrated the grand opening of the long-awaited Northside Transit Center.
- Added new buses to its fleet equipped with free Wi-Fi service, charging ports and a sleek, updated window design.
- Held more than two dozen virtual community meetings planning for expanded services, adding more frequency, new routes, longer service hours (including 24-hour service on major routes) and bus rapid transit (BRT) service.

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
<u>2020</u>	<u>306,487</u>	<u>820,710</u>

Source: U.S. Bureau of the Census

Hamilton County (SORTA's primary service area) is situated in the southwest corner of Ohio and its county seat is the City of Cincinnati. 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 2020 (the most recent U.S. Census) was 2.2 million. Hamilton County's population in 2019 was 817,473, which represents an increase of 1.9 percent versus the 2010 Census.

Employment

For 2020, Hamilton County had an unemployment rate of 4.4%. The US average is 6.0%. This statistic is almost certainly skewed by the pandemic. Hamilton County has seen the job market increase by 0.8% over the last year. Future job growth over the next ten years is predicted to be 30.6%, which is

lower than the US average of 33.5%. 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. In the near future, the major challenge will be filling COVID-related vacancies in the service sector, particularly in hospitality, retail and restaurants.

Amazon's investment of more than \$1.5 billion in an air hub at the Cincinnati airport will add more than 2,000 jobs over the next few years. Proposed Federal spending on infrastructure could boost profits for the region's large corporate sector and it could help boost production in the steel and building materials 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 seven Fortune 500 companies with a combined economic impact of \$242 billion in annual revenue.
- 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 when COVID impacts are removed.

And newcomers Amazon and DHL are bringing new jobs and a spinoff economic effect among logistics, freight handling and delivery companies to the region.

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 Hamilton County \$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 appreciation in Hamilton County is up 7.9 percent due to increased demand and a lagging supply. Housing demand is also supported by easier access to credit, including historically low interest rates; the Fed does not currently show much interest in raising these rates in the near term. 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. There has also been a recent move to address the shortage of affordable housing for low to moderate-income individuals and families.

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>, where many of these statistics were derived.

FUTURE PROJECTS

Initiatives planned for 2021 include:

New challenges: The COVID-19 pandemic hit public transit and Metro particularly hard in 2020. The combination of reduced services, fewer riders due to stay-at-home orders and the extra cost of cleaning and other remediation efforts provided a severe challenge to Metro's budget and service initiatives. Much of 2021 will be spent recovering from the coronavirus (luring back riders, reallocating resources, normalizing processes and procedures, etc.)

New services: Metro will launch the first phase of Reinventing Metro, including adding more frequency, longer service hours (including 24-hour service on seven major routes) and new Sunday service. Later in the year, Metro will plan the next phase of service improvements for Phase 2.

New amenities: Metro will begin installing and testing 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 strategies: Metro has created a unified, comprehensive strategic plan that will direct all operational decisions for the next five years.

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



Cindy Resor
Interim Chief Financial Officer

Southwest Ohio Regional Transit Authority

Board of Trustees and Administration as of December 31, 2020

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

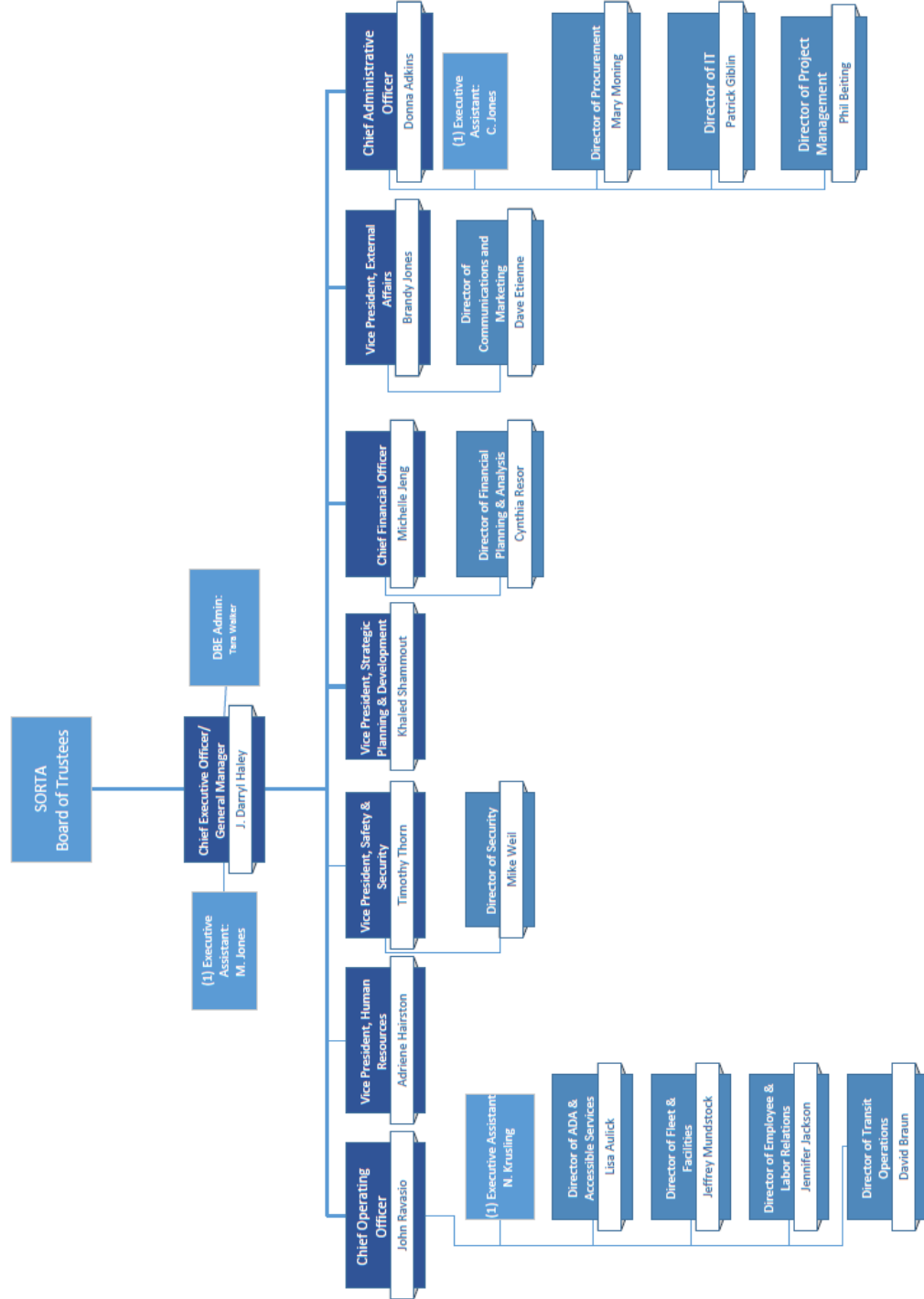
Darryl Haley, Chief Executive Officer and General Manager and Secretary-Treasurer
John Ravasio, Chief Operating Officer
Michelle Jeng, Chief Financial Officer, through July 2, 2021
Cindy Resor, Interim Chief Financial Officer, effective July 3, 2021
Donna Adkins, Chief Administrative Officer

Adriene Hairston, Vice President, Human Resources
Brandy Jones, Vice President, External Affairs
Khaled Shammout, Vice President, Strategic Planning & Development
T.J. Thorn, Vice President, Safety & Security

Lisa Aulick, Director, ADA & Accessible Services
Phil Beiting, Director, Project Management
David Braun, Director, Transit Operations
David Etienne, Director, Marketing and Communications
Patrick Giblin, Director, Information Services
Mary Moning, Director, Procurement/Stores
Jeff Mundstock, Director, Fleet & Facilities
Cindy Resor, Director, Financial Planning & Analysis
Michael Weil, Director, Security

Southwest Ohio Regional Transit Authority

Table of Organization
December 31, 2020





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Southwest Ohio Regional Transit Authority

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

Southwest Ohio Regional Transit Authority



CliftonLarsonAllen LLP
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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, 2020 and 2019, 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.



CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See nexia.com/member-firm-disclaimer for details.

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, 2020 and 2019, and the respective changes in financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension liability, pension contributions, net OPEB liability and OPEB contributions be presented on pages 14-19 and 57-65, 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

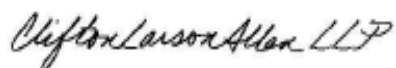
Finance Committee
Southwest Ohio Regional Transit Authority

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 20, 2021, 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 20, 2021

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, 2020. 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 2020 was \$41.6 million, which represents an increase of \$51.8 million, or 504.7%, compared to the balance at the end of 2019.
- Operating revenue for the year was \$11.9 million, which represents a decrease of about \$11.1 million, or 48.2%, from 2019.
- Operating expenses for the year (excluding depreciation and amortization) were \$106.7 million, which represents a decrease of \$20.5 million, or 16.1%, over 2019.
- Non-operating revenues, net of non-operating expenses, including federal, state and local subsidies, were \$145.4 million in 2020, which represents an increase of \$60.1 million, or 70.4%, compared to 2019.

Overview of Financial Statements

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

Required Financial Statements

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

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

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

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

Southwest Ohio Regional Transit Authority

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

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

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

	As of December 31,		
	2020	2019	2018
Current assets	\$69,759	\$32,298	\$39,072
Capital assets - net	101,123	99,913	83,046
Other non-current assets	12,123	4,457	9,750
Total assets	<u>183,005</u>	<u>136,669</u>	<u>131,868</u>
Deferred outflows of resources	18,760	32,316	16,288
Total assets and deferred outflows of resources	<u>\$201,765</u>	<u>\$168,985</u>	<u>\$148,157</u>
Current Liabilities	\$14,096	\$24,001	\$34,007
Non-current liabilities	123,755	152,887	105,765
Total liabilities	<u>137,851</u>	<u>176,888</u>	<u>139,773</u>
Deferred inflows of resources	22,360	2,364	16,768
Total liabilities and deferred inflows of resources	<u>160,210</u>	<u>179,252</u>	<u>156,540</u>
Net position			
Net investment in capital assets	99,144	93,763	67,422
Restricted	12,101	407	2,697
Unrestricted	(69,690)	(104,438)	(78,503)
Total net position	<u>41,555</u>	<u>(10,268)</u>	<u>(8,384)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$201,765</u>	<u>\$168,985</u>	<u>\$148,157</u>

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, 2020, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$41.6 million, which is an increase in net position of \$51.8 million, or 504.7% from 2019. 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. It is further noted that over the past six years, the adoption of GASB 68 and 75 (see Notes 8 and 9) has decreased the net position of the Authority by \$118.2 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, 2020, amounts to \$99.1 million, net of accumulated depreciation, which is an increase of \$5.4 million, or 5.7%, from 2019.

Major capital asset expenditures during 2020 included the following:

- \$9.7 million to purchase 19 new 40-foot buses.
- \$4.0 million of assets (of which \$1.2 million was transferred from prior year construction in progress) related to the opening of Northside Transit Center were put into service during 2020.

Depreciation and amortization expense was \$15.8 million in 2020.

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.

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, 2020 or 2019.

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,		
	2020	2019	2018
Operating revenues:			
Passenger fares	\$11,100	\$21,210	\$20,151
Other operating revenues	838	1,851	2,002
Total operating revenues	<u>11,938</u>	<u>23,060</u>	<u>22,154</u>
Operating expenses other than depreciation and amortization	106,712	127,188	109,634
Depreciation and amortization expense	15,843	14,691	14,147
Total operating expenses	<u>122,555</u>	<u>141,879</u>	<u>123,781</u>
Operating loss	(110,617)	(118,819)	(101,628)
Non-operating revenues:			
Operating assistance from City of Cincinnati	60,380	56,104	54,759
Sales and use tax revenue	33,464	0	0
Federal maintenance grants	47,068	14,400	15,204
Local operating grants and assistance	2,778	6,221	6,669
Other non-operating revenues	1,770	8,652	4,105
Total non-operating revenues	<u>145,460</u>	<u>85,377</u>	<u>80,737</u>
Net income (loss) before capital grant activity	34,843	(33,442)	(20,891)
Capital grant revenue	16,980	31,558	4,313
Change in net position	51,823	(1,884)	(16,578)
Net position, beginning of year	(10,268)	(8,384)	8,194
Net position, end of year	<u>\$41,555</u>	<u>(\$10,268)</u>	<u>(\$8,384)</u>

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

Operating Revenues

The Authority's operating revenues were \$11.9 million in 2020, which represents a decrease of \$11.1 million, or 48.2%, compared to 2019. This decrease is due primarily to the COVID-19 pandemic, which led to decreased service provided and ridership during the year.

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.

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (continued)

Operating Expenses

The Authority's operating expenses, other than depreciation and amortization, were \$106.7 million in 2020, which represents a decrease of \$20.5 million, or 16.1%, compared to 2019. This decrease was driven by several factors:

- \$10.2 million decrease in purchased transportation services due to the direct operation of Access service effective January 1, 2020.
- \$8.4 million decrease in fringe benefits includes a \$10.6 million decrease to adjust pension accruals due to favorable investment results.
- \$4.7 million decrease in casualty and liability due to decreased claims payouts and a decrease in claims reserve over prior year.

These decreases were partially offset by:

- \$3.6 million increase in labor primarily due to the direct operation of Access service.

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.

Non-Operating Revenues

Non-operating revenues were \$145.4 million in 2020, which is an increase of \$60.1 million, or 70.4%, over 2019. This increase is due to \$33.5 million from sales and use tax revenue (Hamilton County sales tax initiative which passed in May, 2020), and \$32.7 million in federal funding (primarily CARES Act funds provided as relief to COVID-19 pandemic).

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.

Southwest Ohio Regional Transit Authority

Management's Discussion and Analysis (concluded)

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.

Southwest Ohio Regional Transit Authority

**Statements of Net Position
As of December 31, 2020 and 2019**

ASSETS AND DEFERRED OUTFLOWS	2020	2019
Current assets:		
Cash and cash equivalents (Note 4)	\$14,078	\$4,486,930
Investments (Note 4)	26,452,766	15,114,777
Receivables:		
Sales and use tax	33,079,134	0
Federal assistance	2,490,000	3,907,721
State assistance	1,740,375	4,094,657
Capital assistance	1,250,623	131,460
Other	2,323,246	2,519,628
Inventory of materials and supplies	1,518,881	1,422,747
Prepaid expenses and other current assets	890,173	620,317
Total current assets	<u>69,759,276</u>	<u>32,298,237</u>
Non-current assets:		
Investments-restricted (Note 4)	11,388,473	4,051,636
Net pension asset (Note 8)	734,660	405,661
Capital assets (Note 5):		
Land and buildings	15,179,789	14,615,138
Improvements	40,687,030	36,783,350
Revenue vehicles	167,051,148	159,130,374
Other equipment	39,140,827	40,972,370
Construction in progress	2,599,387	1,441,559
Total capital assets	<u>264,658,181</u>	<u>252,942,791</u>
Less allowance for depreciation and amortization	<u>163,535,313</u>	<u>153,029,542</u>
Capital assets, net	<u>101,122,868</u>	<u>99,913,249</u>
Total non-current assets	<u>113,246,001</u>	<u>104,370,546</u>
Total assets	<u>183,005,277</u>	<u>136,668,783</u>
Deferred outflows of resources:		
Deferred outflow of resources - OPEB (Note 9)	7,673,030	3,887,788
Deferred outflow of resources - pension (Note 8)	11,086,857	28,427,957
Total deferred outflows of resources	<u>18,759,887</u>	<u>32,315,745</u>
Total assets and deferred outflows of resources	<u><u>\$201,765,164</u></u>	<u><u>\$168,984,528</u></u>

(continued)

Southwest Ohio Regional Transit Authority

Statements of Net Position
As of December 31, 2020 and 2019 (continued)

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2020	2019
Current liabilities:		
Accounts payable	\$2,175,801	\$3,856,992
Accounts payable - capital additions	1,978,937	67,288
Accrued payroll	731,227	1,678,761
Accrued payroll taxes and other benefits	5,190,115	3,694,122
Current portion of estimated claims payable (Note 10)	2,920,638	4,083,404
Other current liabilities	1,099,136	926,022
Advance from City of Cincinnati		
Income Tax-Transit Fund (Note 3):		
For operating purposes	0	7,881,158
For capital purposes	0	1,813,474
Total current liabilities	<u>14,095,854</u>	<u>24,001,221</u>
Non-current liabilities:		
Funds advanced for capital grants	0	4,269,772
Estimated claims payable, net of current portion (Note 10)	7,356,806	7,386,817
Net OPEB liability - OPERS (Note 9)	47,356,353	45,158,211
Net pension liability (Note 8)	67,970,413	95,226,064
Other post employment benefits (Note 9)	888,199	846,028
Other non-current liabilities	183,079	0
Total non-current liabilities	<u>123,754,850</u>	<u>152,886,892</u>
Total liabilities	<u>137,850,704</u>	<u>176,888,113</u>
Deferred inflows of resources:		
Deferred inflow of resources - OPEB (Note 9)	7,008,650	122,528
Deferred inflow of resources - pension (Note 8)	15,350,914	2,241,687
Total deferred inflows of resources	<u>22,359,564</u>	<u>2,364,215</u>
Net position:		
Net investment in capital assets	99,143,931	93,762,715
Restricted for:		
Net pension asset	734,660	405,661
City of Cincinnati - Income tax-transit fund escrow	3,000,000	0
Sales and use tax - Infrastructure	8,365,989	0
Other purposes	0	1,687
Unrestricted deficit	<u>(69,689,684)</u>	<u>(104,437,863)</u>
Total net position	<u>41,554,896</u>	<u>(10,267,800)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$201,765,164</u></u>	<u><u>\$168,984,528</u></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, 2020 and 2019**

	2020	2019
Operating revenues		
Passenger fares for transit service	\$11,100,072	\$21,209,622
Special transit fares	412,526	935,203
Auxiliary transportation revenue	425,859	915,566
Total	<u>11,938,457</u>	<u>23,060,391</u>
Operating expenses other than depreciation:		
Labor	51,229,501	47,600,723
Fringe benefits	34,803,421	43,191,404
Materials and supplies consumed	10,674,474	11,802,137
Services	5,073,208	5,511,906
Utilities	2,162,329	1,389,285
Casualty and liability	69,278	4,750,794
Taxes	1,007,913	1,071,082
Purchased transportation services	49,266	10,282,842
Leases and rentals	726,860	578,148
Miscellaneous	915,554	1,009,968
Total	<u>106,711,804</u>	<u>127,188,289</u>
Depreciation and amortization (Note 5)	15,843,438	14,690,805
Total operating expenses	<u>122,555,242</u>	<u>141,879,094</u>
Operating loss	<u>(\$110,616,785)</u>	<u>(\$118,818,703)</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, 2020 and 2019 (continued)**

	2020	2019
Non-operating revenues (expenses):		
Operating assistance from the City of Cincinnati Income Tax-Transit Fund (Note 3)	\$60,380,212	\$56,103,902
Sales and use tax revenue	33,463,956	0
Federal maintenance grants and reimbursements (Note 6)	47,067,501	14,399,920
State maintenance grants, reimbursements and special fare assistance (Note 6)	2,716,013	5,105,040
Local operating grants and special fare assistance (Note 6)	2,777,784	6,220,807
Investment income, net (Note 4)	175,554	754,377
Increase (decrease) in fair value of investments	333	(2,233)
Non-transportation revenue	437,316	3,937,716
Other non-operating expenses	<u>(1,558,998)</u>	<u>(1,142,978)</u>
Total	<u>145,459,671</u>	<u>85,376,551</u>
Net income (loss) before capital grant activity	34,842,886	(33,442,152)
Capital grant revenue (Note 6)	<u>16,979,810</u>	<u>31,558,012</u>
Increase (decrease) in net position during the year	51,822,696	(1,884,140)
Net position, beginning of year	<u>(10,267,800)</u>	<u>(8,383,660)</u>
Net position, end of year	<u>\$41,554,896</u>	<u>(\$10,267,800)</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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from fares and special service	\$13,264,492	\$20,369,088
Payments for labor and employee benefits	(78,759,343)	(80,885,744)
Payments to suppliers	(17,297,055)	(19,595,809)
Payments for claims and insurance	(7,066,529)	(1,525,215)
	<u>(89,858,435)</u>	<u>(81,637,680)</u>
Net cash used in operating activities		
Cash flows from noncapital financing activities:		
Transfer from City of Cincinnati Income Tax-Transit Fund	60,352,093	59,543,790
Federal maintenance grants and reimbursements	48,485,222	15,306,850
State maintenance grants, reimbursements and special fare assistance	5,070,295	1,010,383
Sales and use tax	384,822	0
Other non-operating expenses	(1,558,998)	(1,142,978)
Other local operating assistance received	3,187,810	5,053,889
	<u>115,921,244</u>	<u>79,771,934</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Capital grants received:		
Federal and other local	3,043,525	20,469,469
Additions to capital assets	(15,141,408)	(33,913,163)
	<u>(12,097,883)</u>	<u>(13,443,694)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Net cash payments from investment securities	(18,674,493)	9,552,327
Interest received	236,715	847,398
	<u>(18,437,778)</u>	<u>10,399,725</u>
Net cash provided by (used in) investing activities		
Net decrease in cash and cash equivalents	(4,472,852)	(4,909,715)
Cash and cash equivalents at beginning of year	<u>4,486,930</u>	<u>9,396,645</u>
Cash and cash equivalents at end of year	<u><u>\$14,078</u></u>	<u><u>\$4,486,930</u></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, 2020 and 2019 (continued)

	2020	2019
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	(\$110,616,785)	(\$118,818,703)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	15,843,438	14,690,805
Non-transportation revenue	437,316	3,937,716
Effect of changes in assets, liabilities, deferred outflows and inflows:		
Other receivables	135,221	(1,342,204)
Deferred outflow of resources - OPEB	(3,785,242)	(1,157,863)
Deferred outflow of resources - pension	17,341,100	(14,869,460)
Receivables for capital assistance	(1,119,163)	2,110,486
Inventory of materials and supplies	(96,134)	(71,191)
Prepaid expenses and other current assets	(269,856)	(23,317)
Net pension asset	(328,999)	23,190
Accounts payable	(1,681,191)	(1,305,525)
Accrued expenses	548,459	(1,006,702)
Other liabilities	(53,833)	(1,924,963)
Net OPEB liability	2,198,142	8,061,588
Net pension liability	(27,255,651)	41,097,182
Other post employment benefits	42,171	142,707
Deferred inflow of resources - OPEB	6,886,122	(2,640,923)
Deferred inflow of resources - pension	13,109,227	(11,762,366)
Estimated claims payable	(1,192,777)	3,221,863
	<u>(\$89,858,435)</u>	<u>(\$81,637,680)</u>
Net cash used in operating activities		
Supplemental Disclosure of Noncash Activity		
Increase (decrease) in fair value of investments	<u>\$333</u>	<u>(\$2,233)</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, 2020 and 2019

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 operated under an agreement with the City of Cincinnati (the “City”) through September 30, 2020. On October 1, 2020, SORTA began receiving sales tax revenue from Hamilton County (the “County”) as a result of the successful passage of a ballot initiative in May, 2020 (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 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 and accountability.

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, 2020 and 2019 (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.” This includes amounts that are designated or reserved by the Board of Trustees.

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, as well as sales tax collections from Hamilton County (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, 2020 and 2019 (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. These items are expensed when consumed or used, rather than when purchased.

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,

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

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:

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.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)

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

K. Compensated Absences

Vacation pay is accrued and charged to expense as earned. Because rights to sick pay do not vest, SORTA does not accrue a liability for sick pay.

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 2020 or 2019. 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. 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/

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)**

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.

P. 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 (asset) 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 (asset) and net OPEB liability, respectively.

Q. 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.

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 until October 2, 2020.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2020 and 2019 (continued)

In May, 2020, the voters of Hamilton County passed Issue 7, which approved a 0.8 percent countywide sales tax increase for transit service (75 percent) and transit-related infrastructure improvements (25 percent). This also triggered elimination of the 0.3 percent City of Cincinnati earnings tax (City Income Tax-Transit Fund) on City residents and workers that had been Metro's primary funding source for more than 40 years.

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

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 fair 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, 2020 and 2019 (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, 2020 and 2019, the Authority maintained restricted cash and cash equivalents and investments of \$11,388,473 and \$4,051,636, respectively, and unrestricted cash and cash equivalents and investments of \$26,466,844 and \$19,601,707, respectively. The total cash and investments of \$37,855,317 and \$23,653,343, respectively, consisted of \$14,078 and \$4,486,930, respectively, in deposits and \$37,841,239 and \$19,166,413, 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 \$14,078 and \$4,486,930 at December 31, 2020 and 2019, respectively. At December 31, 2020, the bank balance of \$250,000 was covered by federal depository insurance and \$379,885 was covered by OPCS. At December 31, 2019, the bank balance of \$3,250,000 was covered by federal depository insurance and \$348,583 was covered by OPCS.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2020 and 2019(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, 2020 and 2019, the fair value of the Authority's investments were as follows:

	2020	2019
Star Treasury Reserve of Ohio (STAROhio)	\$30,853,103	\$16,393,690
U.S. Agency bonds	0	324,961
Commercial paper	6,988,136	2,447,762
Total investments	<u>\$37,841,239</u>	<u>\$19,166,413</u>

Investments held by the Authority at December 31, 2020 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
Star Treasury Reserve of Ohio (STAROhio)	\$30,853,103	\$ -	\$ -	\$30,853,103	\$ -
Commercial paper	6,988,136	6,988,136	-	-	-
Total Investments	\$ 37,841,239	\$ 6,988,136	\$ -	\$ 30,853,103	\$ -

The following table presents the Authority's investments as of December 31, 2020, by length of maturity.

Investment Type	Balance	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Star Treasury Reserve of Ohio (STAROhio)	\$30,853,103	\$30,853,103	\$ -	\$ -	\$ -
Commercial paper	\$6,988,136	\$6,988,136	\$ -	\$ -	\$ -

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)**

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	\$ -

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

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

STAROhio is valued at amortized cost.

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.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)

As of December 31, 2020 the Authority's investments had the following recurring fair value measurements:

Investment					
Type	Level 1	Level 2	Level 3	Total	
Commercial paper	\$ -	\$6,988,136	\$ -	\$6,988,136	

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	

Cash, cash equivalents and investments at December 31, 2020 and 2019 consist of the following:

	2020	2019
Deposits	\$14,078	\$4,486,930
STAROhio	30,853,103	16,393,690
Commercial paper	6,988,136	2,447,762
U.S. Agency Bonds	<u>0</u>	<u>324,961</u>
	<u>\$37,855,317</u>	<u>\$23,653,343</u>

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)
5. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance January 1, 2020	Additions	Deletions	Transfers	Balance December 31, 2020
Capital assets not being depreciated:					
Land	\$13,153,897	\$ -	\$ -	\$ 564,651	\$13,718,548
Construction in progress	1,441,559	2,481,219	-	(1,323,391)	2,599,387
Total capital assets not being depreciated	14,595,456	2,481,219	-	(758,740)	16,317,935
Capital assets being depreciated:					
Buildings	1,461,241	-	-	-	1,461,241
Improvements	36,783,350	3,637,997	343,794	609,477	40,687,030
Revenue vehicles	159,130,374	9,671,865	1,754,929	3,838	167,051,148
Other equipment	40,972,370	1,290,643	3,267,611	145,425	39,140,827
Total capital assets being depreciated	238,347,335	14,600,505	5,366,334	758,740	248,340,246
Less accumulated depreciation:					
Buildings	743,767	36,531	-	-	780,298
Improvements	28,323,124	1,701,865	341,913	-	29,683,076
Revenue vehicles	87,362,719	12,400,569	1,753,587	-	98,009,701
Other equipment	36,599,932	1,704,473	3,242,167	-	35,062,238
Total accumulated depreciation	153,029,542	15,843,438	5,337,667	-	163,535,313
Total capital assets being depreciated, net	85,317,793	(1,242,933)	28,667	758,740	84,804,933
Total capital assets, net	\$99,913,249	\$1,238,286	\$ 28,667	\$ -	\$101,122,868

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)

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

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, 2020) had been owned by SORTA, the provision for depreciation for the years ended December 31, 2020 and 2019 would have increased approximately \$650,000 in each year. As an amendment of the City/SORTA operating agreement, titles to the two bus garage and maintenance facilities will be transferred to SORTA in 2021.

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2020 and 2019 (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, 2020 and 2019 consist of the following:

	2020	2019
Non-operating revenues:		
Federal:		
FTA-Maintenance and other assistance	<u>\$47,067,501</u>	<u>\$14,399,920</u>
State:		
ODOT-Fuel tax reimbursement	\$975,638	\$1,010,383
ODOT-Maintenance and other assistance	<u>1,740,375</u>	<u>4,094,657</u>
Total	<u>\$2,716,013</u>	<u>\$5,105,040</u>
County:		
Sales and use tax	<u>\$33,463,956</u>	<u>\$0</u>
Local:		
Cincinnati Board of Education contract	\$2,410,914	\$5,717,107
Other	<u>366,870</u>	<u>503,700</u>
Total	<u>\$2,777,784</u>	<u>\$6,220,807</u>
Capital grant revenue:		
Federal	\$11,652,080	\$23,507,336
State	1,847,660	0
Local	<u>3,480,070</u>	<u>8,050,676</u>
Total	<u>\$16,979,810</u>	<u>\$31,558,012</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 \$533,641 in 2020 and \$423,402 in 2019. At December 31, 2020, the minimum future payments under leases with terms extending beyond one year are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$485,879
2022	493,105
2023	501,099
2024	470,353
2025	475,993
2026-2030	2,479,337
2031-2035	2,315,068
2036-2040	<u>112,776</u>
Total	<u>\$7,333,610</u>

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2020 and 2019 (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, 2020 and 2019 (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 ACFR 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, 2020 and 2019 (continued)
Funding Policy

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

	2020	2019
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 \$7,348,000 for 2020 and \$6,992,000 for 2019. All required contributions have been paid.

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

The 2020 net pension liability (asset) for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 2020 OPERS total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019, and for 2019, January 1, 2018 rolled forward to December 31, 2018. 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:

	2020			2019		
	Traditional	Combined	Total	Traditional	Combined	Total
Proportionate Share of the Net						
Pension Liability (Asset)	\$67,970,413	(\$734,660)	\$67,235,753	\$95,226,064	(\$405,661)	\$94,820,403
Proportion of the Net Pension						
Liability	0.343881%	0.352314%		0.347693%	0.362772%	
Pension Expense	\$10,151,017	\$80,660	\$10,231,677	\$20,555,506	\$107,693	\$20,663,199

Southwest Ohio Regional Transit Authority

**Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)**

At December 31, 2020, 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	\$0	\$75,751	
Change in assumptions	3,630,416	0	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	0	32,510	
Authority contributions subsequent to the measurement date	7,120,634	227,546	
Total Deferred Outflows of Resources	\$10,751,050	\$335,807	\$11,086,857
Deferred Inflows of Resources			
Net difference between expected and actual experience	\$859,389	\$172,475	
Net difference between projected and actual earnings on pension plan investments	13,558,570	95,288	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	616,415	48,777	
Total Deferred Inflows of Resources	\$15,034,374	\$316,540	\$15,350,914

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

Contributions subsequent to the measurement date of \$7.3 million are reported as deferred outflows of resources related to pension as they will be recognized as a reduction of the net pension liability in the year ending December 31, 2021 rather than in the current fiscal period. 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, 2020 and 2019 (continued)

Fiscal Year Ending December 31:	<u>Traditional</u>	<u>Combined</u>
2021	(\$2,023,659)	(\$50,325)
2022	(4,558,112)	(48,535)
2023	561,457	(21,965)
2024	(5,383,645)	(55,801)
2025	-	(11,663)
Thereafter	-	(19,990)
Total	<u>(\$11,403,959)</u>	<u>(\$208,279)</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, 2019 and 2018 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%	7.20%
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.

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**Notes to the Financial Statements
As of December 31, 2020 and 2019 (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 2019 and 2018, 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 gain of 17.20% for 2019 and a loss of 2.94% for 2018.

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 2019 and 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2019	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	25.00%	1.83%
Domestic Equities	19.00%	5.75%
Real Estate	10.00%	5.20%
Private Equity	12.00%	10.70%
International Equities	21.00%	7.66%
Other Investments	13.00%	4.98%
TOTAL	100.00%	5.61%

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%

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Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)

Discount Rate The total pension liability was calculated using the discount rate of 7.20 percent for 2020 and 2019. 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 percent for 2020 and 2019). 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 (Asset) to Changes in the Discount Rate Net pension liability (asset) 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 percent for 2020 and 2019, 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 percent), or one percentage point higher (8.20 percent) than the current rate.

2020:	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	\$112,105,206	\$67,970,413	\$28,294,529
- Combined Plan	(\$443,916)	(\$734,660)	(\$944,202)

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)

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Notes to the Financial Statements As of December 31, 2020 and 2019 (continued)

9. Postemployment Benefits

Net OPEB Liability

The net OPEB liability reported on the Statements 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, 2020 and 2019 (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' ACFR 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 2020 and 2019, 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 2020. 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 2020 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 2020.

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, 2018, rolled forward to the measurement date of December 31, 2019, and December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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, 2020 and 2019 (continued)**

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

	2020	2019
Proportion of the Net OPEB Liability:		
Current Measurement Date	0.342849%	0.346368%
Prior Measurement Date	0.346368%	0.341613%
Change in Proportionate Share	<u>-0.003519%</u>	<u>0.004755%</u>
Proportionate Share of the Net OPEB Liability	\$47,356,353	\$45,158,211
OPEB Expense	\$5,382,399	\$4,343,996

At December 31, 2020, 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	\$1,271
Change in assumptions	7,496,006
Change in proportionate share	175,753
Total Deferred Outflows of Resources	<u>\$7,673,030</u>
Deferred Inflows of Resources	
Net difference between expected and actual experience	\$4,330,956
Net difference between projected and actual earnings on OPEB plan investments	\$2,411,372
Change in proportionate share	\$266,322
Total Deferred Inflows of Resources	<u>\$7,008,650</u>

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>

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements
As of December 31, 2020 and 2019 (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, 2021.

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,	<u>OPERS</u>
2021	\$1,227,420
2022	465,444
2023	1,920
2024	<u>(1,030,404)</u>
Total	<u>\$664,380</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, 2018, rolled forward to the measurement date of December 31, 2019, and a 2017 valuation rolled forward to 2018. 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:

	<u>2019</u>	<u>2018</u>
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	3.16 percent	3.96 percent
Prior Measurement date	3.96 percent	3.85 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	2.75 percent	3.71 percent
Health Care Cost Trend Rate	10.5 percent, initial	10.0 percent, initial
	3.50 percent, ultimate in 2030	3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual entry age normal	Individual entry age normal

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**Notes to the Financial Statements
As of December 31, 2020 and 2019 (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 2019 and 2018, 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 gain of 19.70% for 2019 and a loss of 5.60 % for 2018.

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 2019 and 2018 and the long-term expected real rates of return:

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Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)

Asset Class	2019		2018	
	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	36.00%	1.53%	34.00%	2.42%
Domestic Equities	21.00%	5.75%	21.00%	6.21%
REITs	6.00%	5.69%	6.00%	5.98%
International Equities	23.00%	7.66%	22.00%	7.83%
Other Investments	14.00%	4.90%	17.00%	5.57%
Total	100.00%	4.55%	100.00%	5.16%

Discount Rate

A single discount rate of 3.16 % and 3.96 % was used to measure the OPEB liability on the measurement date of December 31, 2019 and 2018, 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% and a municipal bond rate of 2.75% and 3.71 % as of December 31, 2019 and 2018, 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 2032 for December 31, 2019 (2035 for December 31, 2018). As a result, the long-term expected rate of return on health care investments was applied to projected costs through 2032 for December 31, 2019 (2035 for December 31, 2018), 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:

2020:	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Authority's proportionate share of the net OPEB liability	\$61,973,385	\$47,356,353	\$35,652,868

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**Notes to the Financial Statements
As of December 31, 2020 and 2019 (continued)**

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

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 2020 is 10.50% (10.00% in 2019). 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 3.50% in the most recent valuation.

2020:	1% Decrease	Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of the net OPEB liability	\$45,958,908	\$47,356,353	\$48,735,985

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

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, 2020 and 2019.

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, 2020, 495 individuals were eligible to receive life insurance benefits.

On its Statements of Net Position as of December 31, 2020 and 2019, SORTA has recorded an accrued liability for life insurance benefits of \$888,199 and \$846,028, 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:

	2020	2019
Future annual increases in life insurance premiums	1.40%	2.30%
Remaining life expectancy* - Life	14.9 yrs	15.2 yrs
Interest factor	0.16%	1.60%

*Based on U.S. National Center for Health Statistics, Vital Statistics of the U.S. 2018 (most recent available).

The total provision recognized by the Authority for postemployment benefits not provided under OPERS was approximately \$79,000 and \$180,000 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 (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 0.16%.

On January 1, 2017, the Authority became self-funded for health insurance. In 2020 and 2019 respectively, the plan assumed zero and \$850,000 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, 2020, 2019 and 2018 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, 2018	\$3,997,935	\$1,677,787	\$1,656,898	\$7,332,620
Claims, net of changes in estimates	740,102	1,515,908	9,406,871	11,662,881
Payments	(722,064)	(277,776)	(9,747,303)	(10,747,143)
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	(522,290)	(1,002,925)	(10,284,741)	(11,809,956)
Balance, December 31, 2019	<u>4,262,488</u>	<u>6,361,329</u>	<u>846,404</u>	<u>11,470,221</u>
Claims, net of changes in estimates	1,224,756	4,468,788	11,335,879	17,029,423
Payments	(794,323)	(6,110,232)	(11,317,645)	(18,222,200)
Balance, December 31, 2020	<u>\$4,692,921</u>	<u>\$4,719,885</u>	<u>\$864,638</u>	<u>\$10,277,444</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, 2020 and 2019 (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, 2020, 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 Statements 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, 2020, 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 31 Metro buses during 2021 at a cost of approximately \$16.3 million, of which Federal grant funding will pay for approximately \$10.8 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. EFPMs may be comprised of any single or combined use of futures, options, options on futures, or fixed price delivery contracts. In 2020 and 2019, 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 (\$0.0049) per gallon and \$0.0200 per gallon at December 31, 2020 and 2019, respectively.

Southwest Ohio Regional Transit Authority

Notes to the Financial Statements As of December 31, 2020 and 2019 (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, 2020 and 2019, losses of \$1,638,748 (77.3 cents per gallon) and gains of \$146,140 (5.3 cents per gallon), respectively, were recognized as an increase and decrease, respectively, in diesel fuel expense. On December 31, 2020 and 2019, the remaining open contracts had \$199,391 of unrealized losses and \$278,473 of unrealized gains, respectively. There is no debt associated with these contracts and unrealized losses are fully funded.

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

13. 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.

During 2019, 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 Statements of Net Position as of December 31, 2019.

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.

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 SEVEN YEARS (1)**

	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.343881%	0.347693%	0.345032%	0.355328%	0.351326%	0.354394%	0.354394%
Authority's Proportionate Share of the Net Pension Liability	\$67,970,413	\$95,226,064	\$54,128,882	\$80,688,946	\$60,854,092	\$42,743,877	\$41,778,435
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
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	140.51%	202.38%	118.69%	175.59%	119.36%	84.32%	92.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		82.17%	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.

See accompanying notes to the required supplementary information.

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 SEVEN YEARS (1)

	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Asset	0.352314%	0.362772%	0.315025%	0.374267%	0.33512%	0.333761%	0.333761%
Authority's Proportionate Share of the Net Pension Asset	\$734,660	\$405,661	\$428,851	\$208,305	\$163,077	\$128,506	\$35,022
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
Authority's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	46.84%	27.81%	33.24%	14.30%	11.52%	9.42%	3.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset		145.28%	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.

See accompanying notes to the required supplementary information.

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 EIGHT YEARS (1)**

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$7,120,634	\$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	(7,120,634)	(6,772,314)	(6,587,461)	(5,928,590)	(5,514,469)	(6,118,280)	(6,082,807)	(5,840,773)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Authority's Covered Payroll	\$50,861,671	\$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%	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.

See accompanying notes to the required supplementary information.

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 EIGHT YEARS (1)**

	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$227,546	\$219,567	\$204,251	\$167,723	\$174,822	\$169,836	\$163,655	\$145,565
Contributions in Relation to the Contractually Required Contribution	(227,546)	(219,567)	(204,251)	(167,723)	(174,822)	(169,836)	(163,655)	(145,565)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Authority's Covered Payroll	\$1,625,329	\$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%	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.

See accompanying notes to the required supplementary information.

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 FOUR YEARS (1)

	2020	2019	2018	2017
Authority's Proportion of the Net OPEB Liability	0.342849%	0.346368%	0.341613%	0.000000%
Authority's Proportionate Share of the Net OPEB Liability	\$47,356,353	\$45,158,211	\$37,096,623	\$44,699,416
Authority's Covered Payroll	\$49,942,007	\$48,512,229	\$46,894,715	\$47,410,758
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	94.82%	93.09%	79.11%	94.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		47.80%	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.

See accompanying notes to the required supplementary information.

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 FIVE YEARS (1)**

	2020	2019	2018	2017	2016
Contractually Required Contribution	\$0	\$0	\$0	\$468,947	\$948,215
Contributions in Relation to the Contractually Required Contribution	0	0	0	(468,947)	(948,215)
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
Authority's Covered Payroll	\$52,487,000	\$49,942,007	\$48,512,229	\$46,894,715	\$47,410,758
Contributions as a Percentage of Covered Payroll	0%	0%	0%	1%	2%

(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.

See accompanying notes to the required supplementary information.

Southwest Ohio Regional Transit Authority

Notes to the Required Supplementary Information As of December 31, 2020 and 2019

Changes in Assumptions — OPERS Pension — Traditional Plan

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, 2019 and 2018 actuarial valuation for the OPERS Pension—Traditional Plan was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Wage Inflation	3.25%	3.25%
Future Salary Increases, Including Inflation	3.25% – 10.75%	3.25% – 10.75%
Cost-of-Living Adjustment	3% Simple	3% Simple
Investment Rate of Return	7.20%	7.20%
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.

Changes in Assumptions — OPERS Pension — Combined Plan

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, 2019 and 2018 actuarial valuation for the OPERS Pension—Combined Plan was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Southwest Ohio Regional Transit Authority

**Notes to the Required Supplementary Information
As of December 31, 2020 and 2019 (continued)**

	2020	2019
Wage Inflation	3.25%	3.25%
Future Salary Increases, Including Inflation	3.25% - 8.25%	3.25% - 8.25%
Cost-of-Living Adjustment	3% Simple	3% Simple
Investment Rate of Return	7.20%	7.20%
Actuarial Cost Method	Individual entry age	Individual entry age

Changes in Assumptions — OPERS OPEB

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, 2018, rolled forward to the measurement date of December 31, 2019, and a 2017 valuation rolled forward to 2018. 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:

	2019	2018
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	3.16 percent	3.96 percent
Prior Measurement date	3.96 percent	3.85 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	2.75 percent	3.71 percent
Health Care Cost Trend Rate	10.5 percent, initial	10.0 percent, initial
	3.50 percent, ultimate in 2030	3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual entry age normal	Individual entry age normal

Southwest Ohio Regional Transit Authority

**Notes to the Required Supplementary Information
As of December 31, 2020 and 2019 (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.

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, 2020**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating revenues	\$19,361,500	\$11,938,457	(\$7,423,043)
Operating expenses other than depreciation and amortization:			
Labor	51,661,000	51,229,501	431,499
Fringe benefits	28,261,000	34,803,421	(6,542,421)
Materials and supplies consumed	11,837,435	10,674,474	1,162,961
Services	5,024,134	5,073,208	(49,074)
Utilities	1,339,100	2,162,329	(823,229)
Casualty and liability	1,531,200	69,278	1,461,922
Taxes	1,273,800	1,007,913	265,887
Purchased transportation services	0	49,266	(49,266)
Leases and rentals	681,100	726,860	(45,760)
Miscellaneous	790,500	915,554	(125,054)
Total	<u>102,399,269</u>	<u>106,711,804</u>	<u>(4,312,535)</u>
Depreciation and amortization	15,843,438	15,843,438	-
Total operating expenses	<u>118,242,707</u>	<u>122,555,242</u>	<u>(4,312,535)</u>
Operating loss	<u>(98,881,207)</u>	<u>(110,616,785)</u>	<u>(11,735,578)</u>
Non-operating revenues (expenses):			
Local operating grants and special fare assistance	66,097,100	63,157,996	(2,939,104)
Sales and use tax revenue	0	33,463,956	33,463,956
Federal maintenance grants and reimbursements	12,589,400	47,067,501	34,478,101
State maintenance grants, reimbursements and special fare assistance	2,955,500	2,716,013	(239,487)
Investment income-net	629,700	175,554	(454,146)
Decrease in fair value of investments	-	333	333
Non-transportation revenue	728,100	437,316	(290,784)
Other non-operating expenses	(1,558,998)	(1,558,998)	-
Total	<u>81,440,802</u>	<u>145,459,671</u>	<u>64,018,869</u>
Net income (loss) before capital grant activity	<u>(17,440,405)</u>	<u>34,842,886</u>	<u>52,283,291</u>
Capital grant revenue	-	16,979,810	16,979,810
Increase (decrease) in net position during the year	<u>(17,440,405)</u>	<u>51,822,696</u>	<u>69,263,101</u>
Net position, beginning of year	<u>(10,267,800)</u>	<u>(10,267,800)</u>	<u>-</u>
Net position, end of year	<u>(\$27,708,205)</u>	<u>\$41,554,896</u>	<u>\$69,263,101</u>

STATISTICAL SECTION

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

Contents	Page(s)
Financial Trends	68-75
<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>	
Debt Capacity	76
<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	77-78
<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	79-86
<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.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating revenues										
Passenger fares for transit service	\$22,778	\$23,387	\$23,495	\$22,904	\$21,859	\$21,220	\$20,623	\$20,151	\$21,210	\$11,100
Special transit fares	717	668	728	817	871	921	982	953	935	413
Auxiliary transportation revenue	585	598	574	540	666	907	991	1,049	916	426
Total operating revenues	24,081	24,653	24,797	24,262	23,396	23,048	22,596	22,154	23,060	11,938
Non-operating revenues										
Operating assistance from the City of Cincinnati										
Income Tax-Transit Fund	37,457	41,625	42,978	44,417	47,340	50,242	50,535	54,759	56,104	60,380
Sales and use tax revenue	0	0	0	0	0	0	0	0	0	33,464
Federal maintenance grants and reimbursements	15,404	15,082	15,521	17,193	14,764	15,325	15,401	15,204	14,400	47,068
Federal grant pass-through	271	244	5,368	21,983	13,545	3,833	0	0	0	0
State maintenance grants and reimbursements and special fare assistance	862	807	804	784	790	780	767	780	5,105	2,716
Local operating grants and fare assistance	7,167	7,209	6,413	6,617	6,442	6,276	6,454	6,669	6,221	2,778
Investment income, net	236	147	88	107	118	151	327	714	754	176
Increase (decrease) in fair value of investments	(46)	2	(15)	5	12	4	(6)	3	(2)	0
Non-transportation revenue	673	392	657	476	1,114	2,397	3,841	3,618	3,938	437
Total non-operating revenues	62,024	65,508	71,814	91,581	84,126	79,009	77,318	81,747	86,520	147,019
Total Revenues	86,105	90,161	96,611	115,843	107,522	102,057	99,914	103,901	109,580	158,957
Operating expenses										
Labor	39,632	40,470	41,135	42,660	42,947	43,689	44,251	46,317	47,601	51,230
Fringe benefits	18,725	20,699	21,552	21,986	19,756	25,835	35,824	29,779	43,191	34,803
Materials and supplies consumed	12,713	15,148	14,793	14,954	14,677	12,735	12,179	12,069	11,802	10,674
Services	3,371	3,408	3,486	3,799	4,553	6,537	5,309	6,550	5,512	5,073
Utilities	1,602	1,402	1,475	1,519	1,435	1,108	1,201	1,212	1,389	2,162
Casualty and liability	804	515	67	(19)	14	788	844	1,671	4,751	69
Taxes	851	862	846	865	842	830	818	844	1,071	1,008
Purchased transportation services	5,465	5,522	5,136	5,424	6,131	7,768	9,277	9,785	10,283	49
Leases and rentals	547	568	588	647	596	613	654	671	578	727
Miscellaneous	561	681	921	790	652	758	768	738	1,010	916
Grant pass-through	271	244	5,368	21,983	13,545	3,833	0	0	0	0
Depreciation and amortization	10,608	13,804	14,449	14,191	14,783	15,389	15,249	14,147	14,691	15,843
Total operating expenses	95,150	103,322	109,815	128,797	119,930	119,883	126,374	123,781	141,879	122,555
Non-operating expenses	1,575	852	1,300	1,420	1,117	1,061	1,026	1,011	1,143	1,559
Total Expenses	96,725	104,174	111,115	130,217	121,047	120,944	127,400	124,792	143,022	124,114

(continued)

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Capital grant revenue	22,023	21,788	20,708	3,836	20,804	12,321	1,327	4,313	31,558	16,980
Increase (decrease) in net position	\$11,403	\$7,774	\$6,204	(\$10,538)	\$7,278	(\$6,566)	(\$26,159)	(\$16,578)	(\$1,884)	\$51,823
Net position at year-end										
Net investment in capital assets	\$99,958	\$107,659	\$114,077	\$103,449	\$109,815	\$106,713	\$76,535	\$67,422	\$93,763	\$99,144
Restricted	4,350	2,238	6,053	7,098	494	312	555	2,697	407	12,101
Unrestricted	(4,107)	(1,921)	(5,951)	(6,906)	(34,886)	(38,168)	(34,392)	(78,503)	(104,438)	(69,690)
Total net position	\$100,201	\$107,975	\$114,179	\$103,641	\$75,423	\$68,857	\$42,698	(\$8,384)	(\$10,268)	\$41,555

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.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues										
Passenger fares for transit service (1)	\$30,001	\$30,596	\$29,909	\$29,522	\$28,301	\$27,496	\$27,077	\$26,821	\$27,430	\$13,878
Special transit fares	717	668	728	817	871	921	982	953	935	413
Auxiliary transportation revenue	585	598	574	540	666	907	991	1,049	916	426
Total operating revenues	31,303	31,862	31,211	30,879	29,838	29,325	29,050	28,823	29,281	14,716
Non-Operating Revenues										
Operating assistance from the City of Cincinnati										
Income Tax-Transit Fund	37,457	41,625	42,978	44,417	47,340	50,242	50,535	54,759	56,104	60,380
Sales and use tax revenue	0	0	0	0	0	0	0	0	0	33,464
Federal grants and reimbursements (1)	15,404	15,082	15,521	17,193	14,764	15,325	15,401	15,204	14,400	47,068
Federal grant pass-through: City of Cincinnati Streetcar	0	0	5,096	21,731	13,355	3,770	0	0	0	0
Federal grant pass-through: Everybody Rides Metro	271	244	272	252	190	63	0	0	0	0
State grants and reimbursements (1)	806	807	804	784	790	780	767	780	5,105	2,716
Investment income	190	149	73	112	130	155	321	717	752	176
Non-transportation revenues	673	392	657	476	1,114	2,397	3,841	3,618	3,938	437
Total non-operating revenues	54,801	58,299	65,401	84,964	77,683	72,732	70,864	75,078	80,299	144,241
Total Revenues	\$86,104	\$90,161	\$96,612	\$115,843	\$107,521	\$102,057	\$99,914	\$103,901	\$109,580	\$158,957

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

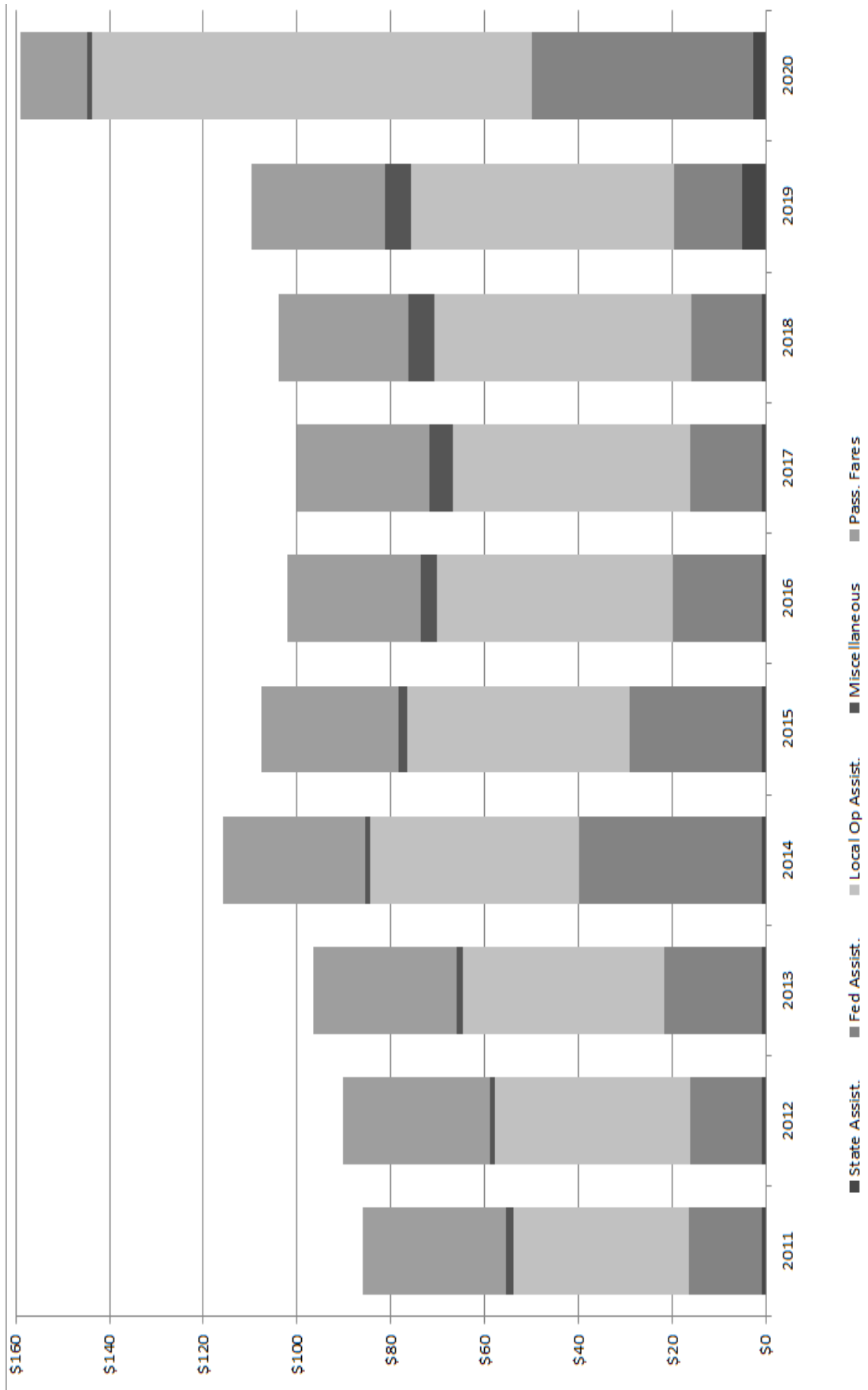
Totals may not be mathematically accurate as displayed due to rounding.

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)



**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	
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	*	*	*	*	*	*	*
2020	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY:

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
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	25.9%	5.1%	31.0%	55.9%	13.1%	69.0%	100.0%
2020	9.0%	0.7%	9.7%	60.7%	29.6%	90.3%	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.

Southwest Ohio Regional Transit Authority

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

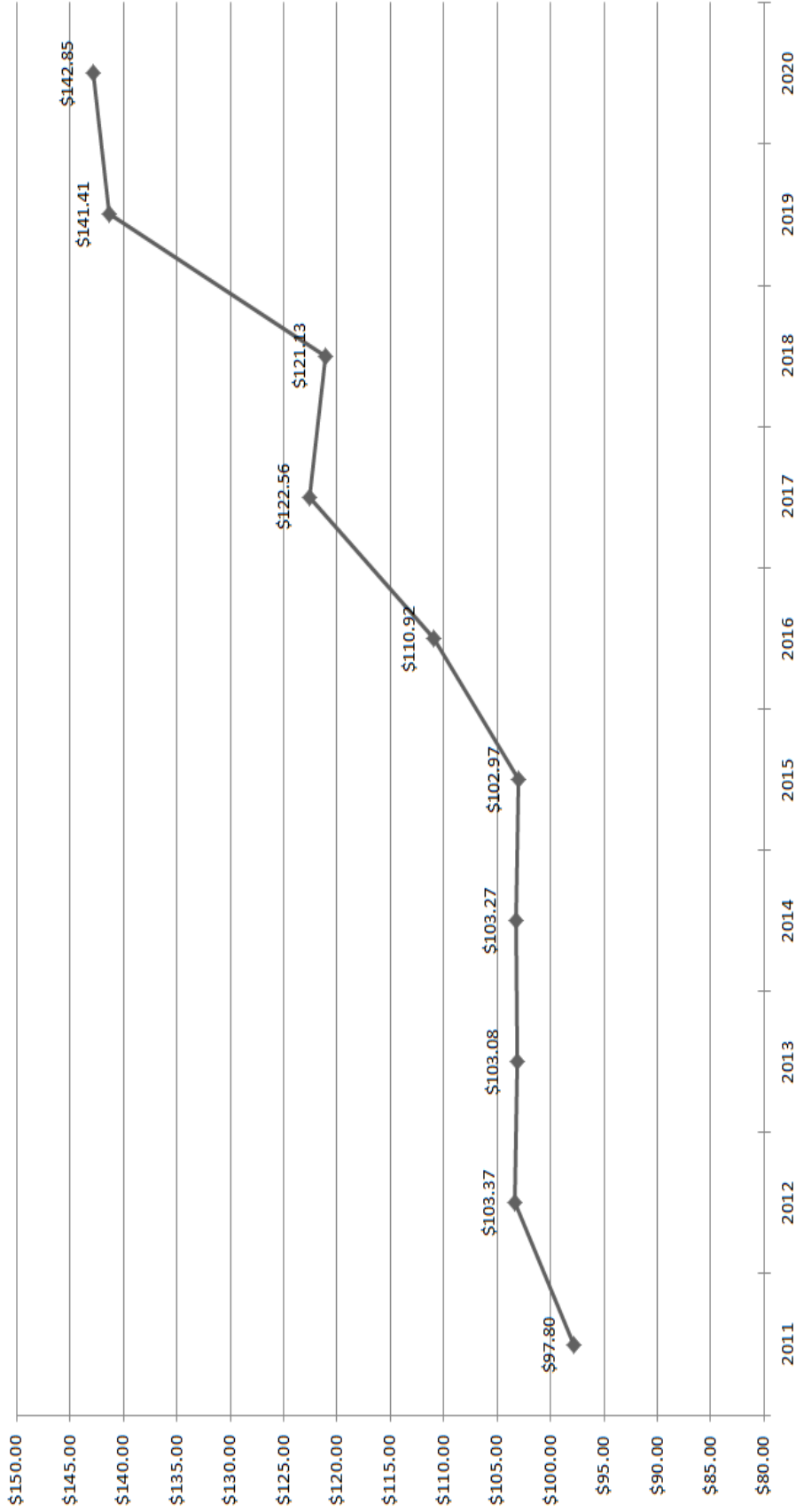
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Expenses Other Than Depreciation and Amortization:										
Labor	\$39,632	\$40,470	\$41,135	\$42,660	\$42,947	\$43,689	\$44,251	\$46,317	\$47,601	\$51,230
Fringe Benefits	18,725	20,699	21,552	21,986	19,756	25,835	35,824	29,779	43,191	34,803
Materials and supplies consumed	12,713	15,148	14,793	14,954	14,677	12,735	12,179	12,069	11,802	10,674
Services	3,371	3,408	3,486	3,799	4,553	6,537	5,309	6,550	5,512	5,073
Utilities	1,602	1,402	1,475	1,519	1,435	1,108	1,201	1,212	1,389	2,162
Casualty and liability	804	515	67	(19)	14	788	844	1,671	4,751	69
Taxes	851	862	846	865	842	830	818	844	1,071	1,008
Purchased transportation services	5,465	5,522	5,136	5,424	6,131	7,768	9,277	9,785	10,283	49
Leases and rentals	547	568	588	647	596	613	654	671	578	727
Miscellaneous	561	681	921	790	652	758	768	738	1,010	916
Total	84,271	89,275	89,999	92,624	91,602	100,661	111,125	109,634	127,188	106,712
Federal grant pass-through: City of Cincinnati Streetcar	0	0	5,096	21,731	13,355	3,770	0	0	0	0
Federal grant pass-through: Everybody Rides Metro	271	244	272	252	190	63	0	0	0	0
Depreciation and Amortization	10,608	13,804	14,449	14,191	14,783	15,389	15,249	14,147	14,691	15,843
Total Operating Expenses	\$95,150	\$103,322	\$109,816	\$128,798	\$119,930	\$119,883	\$126,374	\$123,781	\$141,879	\$122,555

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

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

Source: SORTA's independently audited annual financial statements.

Southwest Ohio Regional Transit Authority
Operating Expenses per Vehicle Hour – Last Ten Years



Source: SORTA's annual "National Transit Database" filed with the Federal Transit Administration. Some balances may have been reclassified to conform with the current year's presentation. Operating expenses exclude depreciation and amortization and grant pass-through.

Southwest Ohio Regional Transit Authority

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

TRANSPORTATION INDUSTRY (1):									
YEAR	LABOR AND MATERIALS			UTILITIES	CASUALTY AND LIABILITY		PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
	FRINGES	SUPPLIES AND	SERVICES		LIABILITY	OTHER			
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	*	*	*	*	*	*	*	*	
2020	*	*	*	*	*	*	*	*	

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY (3):									
YEAR	LABOR AND MATERIALS			UTILITIES	CASUALTY AND LIABILITY		PURCHASED TRANSPORTATION	OTHER	TOTAL OPERATING EXPENSES (2)
	FRINGES	SUPPLIES AND	SERVICES		LIABILITY	OTHER			
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%	
2020	80.6%	10.0%	4.8%	2.0%	0.1%	0.0%	2.5%	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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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)	800	802	805	807	808	809	814	817	817	821
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
2019	36.8	\$31,579

<u>YEAR</u>	<u>K-12 SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE (3)</u>	<u>POPULATION (4)</u>
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
2020	*	7.7%	820,710

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 2020 and 2011**

2020

Employer	Nature of Business	Employees	Percentage of Total County Employment
Kroger Co.	National grocery retailer	17,713	4.5%
Cincinnati Children’s Hospital Medical Center Trihealth, Inc.	Pediatric medical center Health care system	16,446 12,000	4.1% 3.0%
University of Cincinnati UC Health	Public university Health care system	10,159 10,112	2.6% 2.5%
Proctor & Gamble Co. General Electric	Consumer products company Jet engines/components	10,000 9,000	2.5% 2.3%
Bon Secours Mercy Health Fifth Third Bancorp	Health care system Banking and financial services	8,500 7,000	2.1% 1.8%
Christ Hospital Health Network	Health care system	6,504	1.6%
Total		107,434	27.1%
Total County Employment:		396,800	

2011

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

Source: 2020 Business Courier Book of Lists; 2011 Business Courier Book of Lists.

Southwest Ohio Regional Transit Authority

Operating Statistics – Last Ten Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
System Ridership (1)										
Motor bus	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	7,315,465
Demand responsive	172,963	162,771	177,004	198,202	210,381	222,719	227,896	231,101	226,683	102,269
Average Weekday System Ridership (1)										
Motor bus	63,706	59,544	57,247	55,423	54,289	51,046	48,785	46,903	45,133	24,094
Demand responsive	604	570	631	716	761	807	827	838	826	370
Vehicle Miles Operated (1)										
Motor bus	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	9,467,890
Demand responsive	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	1,003,786
Average Weekday Vehicle Miles Operated (1)										
Motor bus	37,506	37,908	37,627	38,261	37,937	38,076	37,980	37,881	37,129	31,282
Demand responsive	5,350	5,079	5,447	5,936	6,199	6,437	6,543	7,241	6,473	2,967
Revenue Miles (1)										
Motor bus	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	8,172,528
Demand responsive	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	820,469
Passenger Miles (1)										
Motor bus	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	41,086,546
Demand responsive	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	903,035

(continued)

Operating Statistics – Last Ten Years (continued)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Vehicle Hours Operated (1)										
Motor bus	767,333	774,170	778,325	791,988	787,944	793,414	790,422	785,193	777,731	676,494
Demand responsive	94,368	89,439	94,763	104,948	109,880	114,106	116,291	119,912	121,708	70,526
Vehicle Revenue Hours (1)										
Motor bus	695,282	713,214	717,809	736,720	731,157	736,542	734,962	731,941	724,450	630,330
Demand responsive	77,724	73,299	77,564	84,275	88,198	92,111	94,096	97,140	98,619	54,807
Diesel Fuel Consumption (In Gallons) (1)	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	2,119,266
Fleet Requirements (During Peak Hours) (1)										
Motor bus	287	289	297	297	297	299	299	294	281	281
Demand responsive	48	48	48	48	48	48	48	48	48	48
Total Revenue Vehicles During Period (1)										
Motor bus	344	346	356	356	357	357	360	356	356	356
Demand responsive	48	48	48	48	56	56	56	56	56	56
Number of Full Time Employees (2) (3)	704	719	808	791	834	780	859	821	848	924

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, 2020

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

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

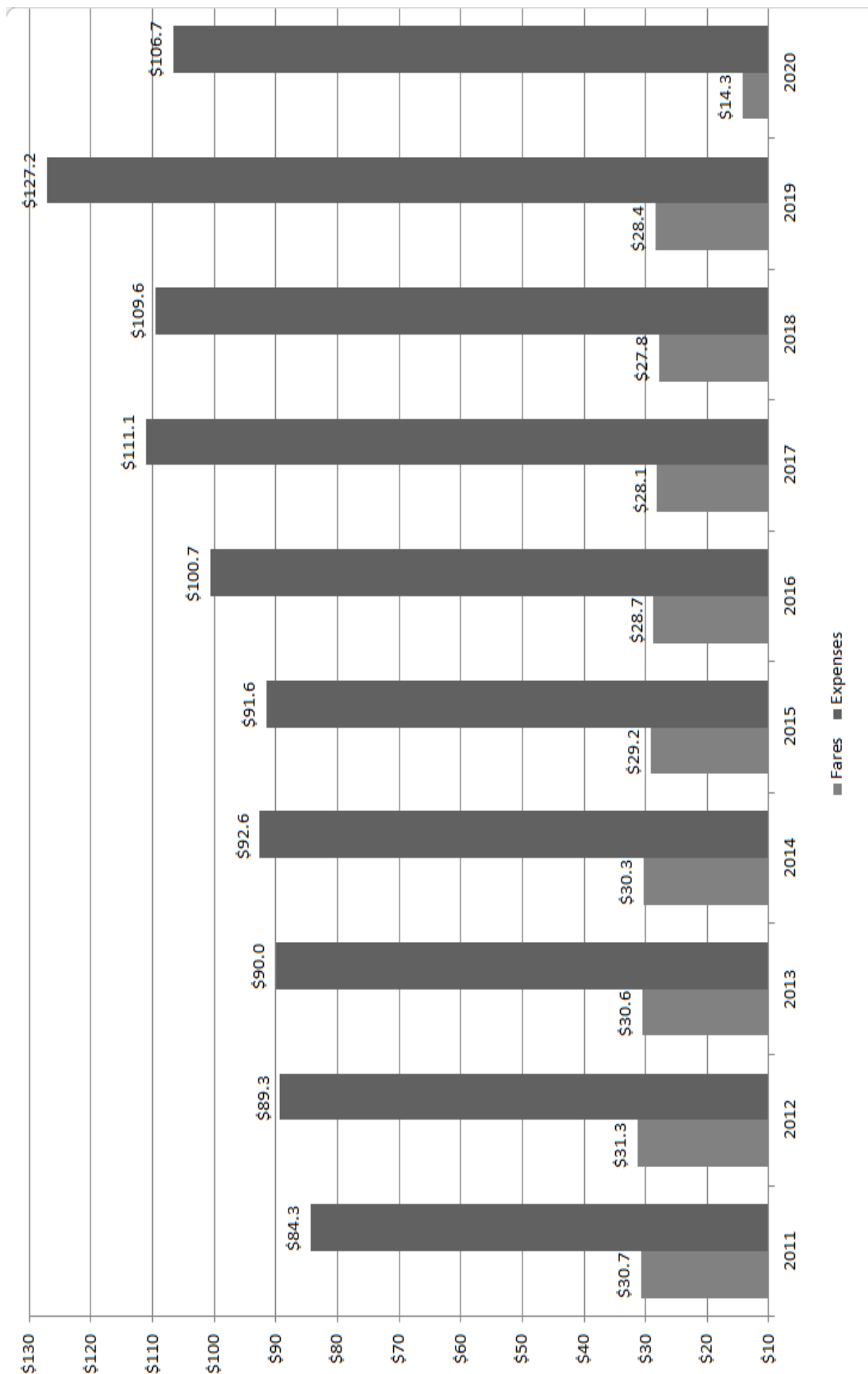
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Southwest Ohio Regional Transit Authority
Capital Asset Information as of December 31, 2020 (continued)

<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	18	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	
			19	2020	Gillig	
			357	Total Buses		

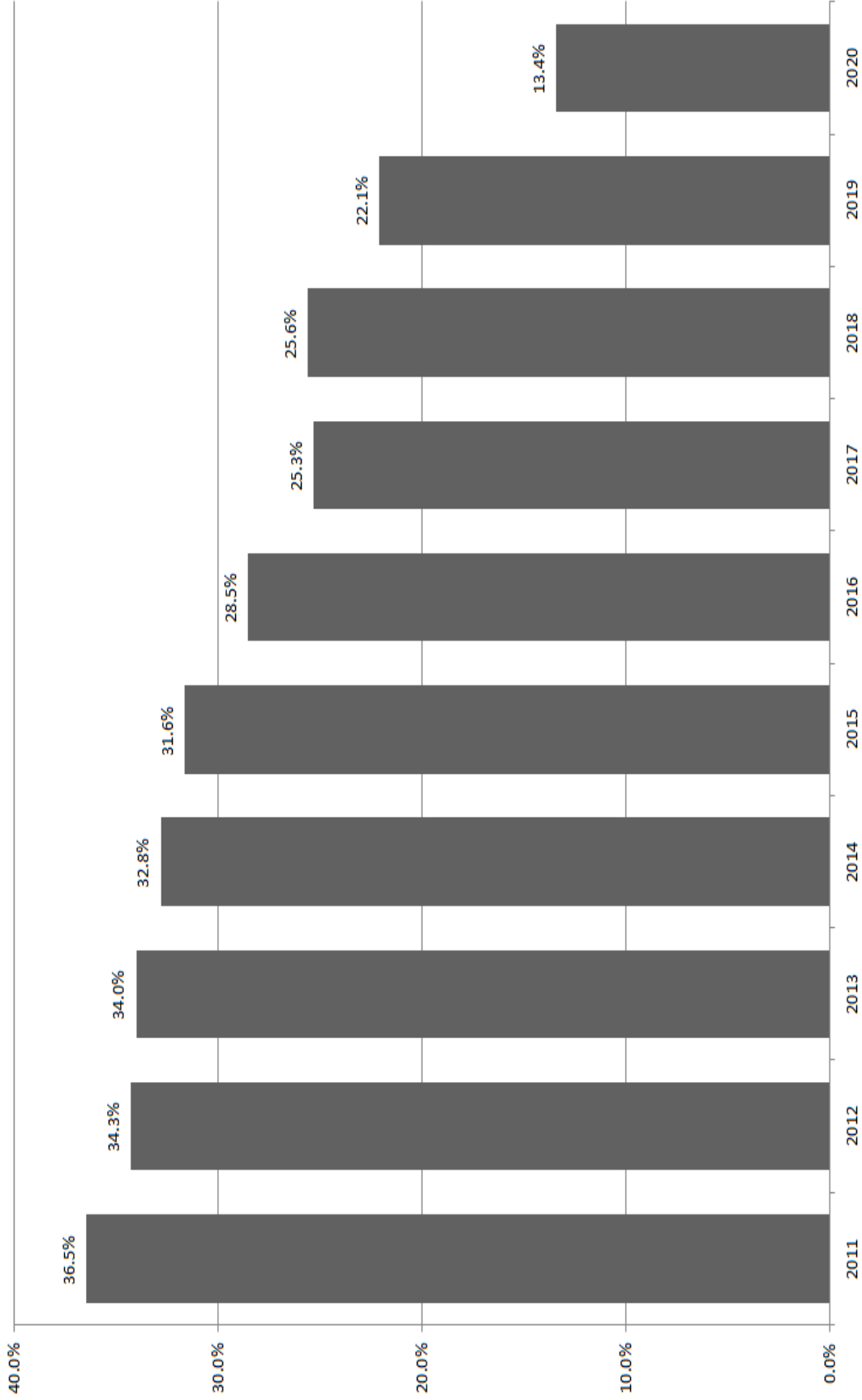
Southwest Ohio Regional Transit Authority

Passenger Fares vs. Operating Expenses – Last Ten Years



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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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)	N/A	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	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
Day Pass Zone 2 fare (3)	N/A	N/A	N/A	\$6.30	\$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	\$5.00	\$5.00
Express Service (Monday-Friday)(Harrison)	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Express Service(Monday-Friday)(Clermont County)	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$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)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MetroCard Harrison Zone Pass	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00	\$120.00
MetroCard Clermont Zone Pass	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$150.00	\$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 County, 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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Vehicle Operations	509.0	514.0	511.0	496.5	528.0	503.5	541.0	521.0	546.0	537.0
Vehicle Maintenance	182.0	182.0	185.0	182.0	173.0	169.0	196.0	182.0	189.0	187.0
Non-Vehicle Maintenance	24.0	25.0	26.0	28.0	35.0	26.0	28.0	30.0	28.0	28.0
General Administration	85.5	88.0	91.0	86.5	100.0	81.0	88.0	82.0	75.0	72.0
Paratransit Service	5.5	5.5	5.0	6.0	4.5	4.5	6.0	6.0	10.0	100.0
Total Employees	806.0	814.5	818.0	799.0	840.5	784.0	859.0	821.0	848.0	924.0

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

**SOUTHWEST OHIO REGIONAL
TRANSIT AUTHORITY
HAMILTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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

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, 2020, 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 20, 2021.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 20, 2021



**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 Southwest Ohio Regional Transit Authority (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, 2020. 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on the major federal program is not modified with respect to this matter.

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

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

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, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated July 20, 2021, 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 20, 2021

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

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:				
COVID -19 - Formula Grants	20.507	NA	\$ -	\$ 34,156,781
Formula Grants	20.507	N/A	-	24,453,780
Bus Program	20.526	NA	-	16,672
Total Federal Transit Cluster			-	58,627,233
Transit Services Program Cluster:				
Received Directly from FTA:				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	NA	6,028	6,028
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,028	\$ 58,633,261

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020**

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, 2020. 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, 2020**

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?	_____ yes <u> X </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

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

Type of auditor’s report issued on compliance for major federal programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be Reported in accordance with 2 CFR 200 516(a)?	_____ <u> X </u> yes _____ no
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Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$1,758,998

Auditee qualified as low-risk auditee?	_____ yes <u> X </u> no
--	---------------------------

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SUMMARY OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Governmental Auditing Standards*.

**SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SUMMARY OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

Section III – Findings and Questioned Costs – Major Federal Programs

2020 – 001

Federal agency: U.S. Department of Transportation

Federal program title: Federal Transit Cluster

CFDA Number: 20.507 and 20.526

Award Period: June 1, 2020 to March 30, 2025

Type of Finding: Significant Deficiency in Internal Control over Compliance

Other Matter

Criteria or specific requirement: Good internal controls require a detailed review of hours, including paid time off, to ensure the proper hours are paid to employees.

Condition: During our testing, we noted one instance in which an employee was paid the incorrect amount.

Questioned costs: One individual was overpaid for 9.93 hours, by \$235.54

Context: An error was noted in 1 of 40 individuals tested.

Cause: The pandemic resulted in unexpected paid time off taken, and oversight occurred in the time recorded in this instance.

Effect: Overstated expense and noncompliance with grant requirements.

Repeat finding: N/A

Recommendation: We recommend that management improve its review of time reports to assure that all employees are properly paid.

Views of responsible officials: There is no disagreement with the audit finding.

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 9/14/2021

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