

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY

HAMILTON COUNTY, OHIO

REGULAR AUDIT

FOR FISCAL YEARS ENDED DECEMBER 31, 2023 AND 2022

PREPARED BY: ACCOUNTING DEPARTMENT

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 45202-3133

We have reviewed the *Independent Auditors' Report* of the Southwest Ohio Regional Transit Authority, Hamilton County, prepared by Crowe LLP, for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 20, 2024

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Southwest Ohio Regional Transit Authority
ANNUAL COMPREHENSIVE FINANCIAL REPORT
 For Fiscal Years Ended December 31, 2023 and 2022

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INTRODUCTORY SECTION

Southwest Ohio Regional Transit Authority

525 Vine Street, Suite 500
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Sara Sheets
Sonja Taylor
Larry Thompson

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

SORTA's Vision

20 million rides by 2026

SORTA's Mission

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



Metro and Access
are non-profit public services of SORTA

July 8, 2024

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

We are pleased to present to you the Annual Comprehensive Financial Report (ACFR) of the Southwest Ohio Regional Transit Authority ("SORTA" or "The Authority") for fiscal years ended December 31, 2023, and 2022. 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, Crowe LLP, has issued an unmodified ("clean") audit opinion on SORTA's financial statements for the fiscal year ended December 31, 2023. Crowe's Independent Auditors' Report can be found on page 13 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 Crowe 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, 2023, 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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2022, representing the 32nd 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. The ACFR must satisfy both generally accepted accounting principles and applicable legal requirements. The Ohio State Auditor's office awarded SORTA the Auditor of State Award with Distinction for our 2022 ACFR for a "clean audit". This award certifies that the ACFR does not contain any findings for recovery, material citations, material weaknesses, significant deficiencies and any single audit findings or questioned costs.

Southwest Ohio Regional Transit Authority
Letter of Transmittal

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, 2023 and 2022, 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, 2023.

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 paratransit. Metro provides fixed route bus service throughout the service area in Greater Cincinnati in Southwest Ohio. Currently, there are 48 fixed bus routes, including 30 local service routes and an additional 18 weekday peak hour commuter express service routes. One of these express routes operates seasonally between Downtown Cincinnati and the Kings Island amusement park during the summer and fall. Metro and Access operates 24-hours a day, 7 days a week, including all holidays. Based on a review of the 2020 Census data, approximately 825,000 residents live in SORTA's service area of within ¾-mile of Metro's fixed-route service. In 2023, Metro operated a total of about 720,760 hours of service over 11.14 million revenue miles, providing 13.1 million rides.

Access provides origin to destination, 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 43 lift-equipped vehicles. SORTA's Director of ADA & Accessible Services provides oversight for this service. In 2023, Access provided 181,712 passenger trips over 1.7 million vehicle miles.

Management

SORTA is governed by a 16-member volunteer citizen's 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 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 11 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 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 and *MetroNow!* divisions operate.

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 16-21 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 has continued to roll out its aggressive and innovative Reinventing Metro plan to improve the customer experience in our region:

- **Phase 3 of Reinventing Metro** – Continued increases in weekday and weekend frequency on selected routes as well as the addition of two new crosstown routes connecting transit centers with major employment locations – Rt. 22 and Rt. 65.
- **Mobility on Demand** – Launched *MetroNow!* on-demand transit service in the Northgate/Mt. Healthy and Springdale/Sharonville zones. This service uses smaller vehicles and provides corner-to-corner or point-to-point service in smaller, low-density areas not served by main Metro routes.
- **Bus Rapid Transit (BRT)** – Identified the two corridors and moved into the design phase for future BRT service.
- **Metro Transit Infrastructure Fund** – Awarded more than \$30 million for 29 projects across 22 Hamilton County municipalities for street and roadway improvements in Metro’s service area.
- **Metro’s 50th anniversary** – The year-long celebration of Metro’s golden anniversary of public ownership included many promotions and events.

ECONOMIC CONDITION AND OUTLOOK**General/Population**

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>	306,487	820,710

Source: U.S. Bureau of the Census

Southwest Ohio Regional Transit Authority
Letter of Transmittal

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 2020 was 820,710, which represents an increase of 2.3 percent versus the 2010 Census.

The Cincinnati region is 11th among the list of 22 peer cities in total population. The region currently ranks well against many of its local peers in this indicator, but lags behind high-growth counterparts in size, including Austin and Charlotte. Additionally, while currently being ahead of Columbus, Indianapolis, Nashville, and Raleigh in total population, the Cincinnati region is currently growing at a slower rate than them.

Economy

Real GDP in the Cincinnati region grew steadily, between 0.8 percent and 4.6 percent annually until peaking at roughly \$137 billion in 2019. In 2020, the GDP fell due to the nationwide pandemic-related recession, but the growth rate and GDP quickly recovered, bouncing back at a six percent growth rate to a new peak of \$141.6 billion. This growth rate represents the largest increase in the region's Real GDP in at least ten years, mirroring the national trend.

Hamilton County's current economic situation continues to be mixed in relation to the rest of the country. The county has a diversified local economy with strong business clusters in healthcare, personal care products, aerospace, and pharmaceuticals. The region has been projected to create 50,000 jobs from 2014 to 2024. Before the pandemic occurred, the county's low unemployment rate tracked with the rest of the nation and was lower than that of the State of Ohio.

Redevelopment is happening in the City of Cincinnati and in well-positioned suburban communities. Some communities, however, are financially constrained and/or limited in how they can partner with the private sector on redevelopment projects. The issue of tax abatements has been the subject of much debate, along with the effects of "gentrification" on such older communities as the West End, Madisonville, and Walnut Hills.

Finally, the county faces major infrastructure needs. The proposed construction of a new Brent Spence Bridge finally received Federal funding under the Infrastructure Investment and Jobs Act. The addition of Metro's Transit Infrastructure Fund or MTIF will further improve roads, streets, and bridges in Metro's service area, but it is critical for the County to determine its role in prioritizing other projects given the limited resources available.

Employment

The Cincinnati region has seen steady employment growth over the past five years. Among its peers, the region ranks near the middle of the pack at 12th out of 22 metropolitan areas.

Increasing its employment growth will require steps to attract more prime working age population, which is one of the largest challenges as a region. The region currently ranks 19th against its peers with just 38.1 percent of the population in this age group (25 to 54.)

The pandemic more than tripled the national and local unemployment rate almost overnight. However, both the national and local unemployment rates have been dropping ever since. In fact, the Cincinnati region's unemployment rate has been below four percent since September of 2021. Notably, the region's unemployment rate has outpaced the nation as a whole, creating a very tight local job market, particularly in the areas of hospitality/restaurants, manufacturing, and retail. Metro itself is facing a dearth of candidates for bus operator and maintenance technicians.

Southwest Ohio Regional Transit Authority
Letter of Transmittal

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 several positive attributes:

- The Cincinnati region has a total of five Fortune 500 companies on the 2023 Fortune 500 list, ranking 14th out of the 22 peer cities. General Electric Aerospace has spun off as its own company and will maintain its headquarters in Evendale, a northern suburb; this will increase Cincinnati's total to six. Also among these companies are Procter & Gamble, The Kroger Company, and Fifth Third Bank.
- Educational institutions, including the University of Cincinnati, Xavier University, Northern Kentucky University, Cincinnati State Technical & Community College, and the Great Oaks Vocational Education system, all provide a well-educated workforce and a steady source of long-term growth that minimizes volatility.
- In particular, large manufacturers such as Procter & Gamble and GE are great sources of long-term stability and future growth for the area's economy.
- Finally, shipping giants Amazon and DHL are bringing new jobs and spinoff economic effects to the region.

Income

The median household income in the United States is \$69,717, placing the Cincinnati region's median of \$70,818 above the national figure, but 13th of 22 peer metros.

However, the region also benefits from a lower-than-average cost of living, helping the median household income stretch further. Hamilton County's cost of living is 13.5 percent lower than the U.S. average.

Housing

The Cincinnati region's housing outlook is balanced between affordability and growth, but the two are not mutually exclusive. While our region is affordable compared to its peers, we currently trail many of them in the number of housing permits generated. We rank 16th out of 22 peer metros for residential building permits and 17th for residential building permits per 1,000 population. Both measurements tell a similar story – we are not building as much housing as many of our peer regions.

Housing affordability also plays a key role in attracting new residents, which drives regional population growth. According to the Zillow Home Value Index (ZHVI), the Cincinnati region has seen a rapid increase in home values, albeit at a slightly slower rate than the rest of the United States. Additionally, while rent in the Cincinnati region is comparatively affordable, currently ranking 14th among its peer cities, the region has topped several lists for fastest rent growth over the past couple of years. These increases remain threats to our overall affordability as a region, which creates a barrier for prospective homeowners and residents entering the market. Pro-housing policies like modernizing zoning and updating supply-constraining housing regulations will be crucial to maintaining our relatively affordable position, something that benefits existing and future residents.

Since 2010, home prices in Cincinnati have steadily increased by 95 percent from about \$139,000 in 2010 to just over \$270,000 in 2023. For the United States as a whole, however, homes have increased by 112 percent in value. This housing shortage is also reflected in rental property: renters make up 35.8 percent of the Hamilton County population, yet only 2.3 percent of houses and apartments are available to rent.

Southwest Ohio Regional Transit Authority
Letter of Transmittal

Hamilton County has also been experiencing an influx of real estate investors buying homes and converting them to rental properties and short-term housing, both of which have attracted the attention of local legislators on the lookout for “predatory” business practices and threats to the character and housing stock of local neighborhoods.

The information in this Economic Condition and Outlook section was derived from the 2023 State of the Region report prepared by the Cincinnati USA Regional Chamber of Commerce. Visit https://cincinnati-chamber.com/wp-content/uploads/2023/09/sotrreport_2023web.pdf to view the complete report.

FUTURE PROJECTS

Initiatives planned for 2024 include:

- In a continuation of Reinventing Metro, Metro will launch additional *MetroNow!* service zones in 2024.
- The design phase for the bus rapid transit (BRT) corridors of Hamilton Ave. and Reading Rd. will continue, as will extensive public outreach.
- Metro will launch a new brand and tagline as part of its continuing evolution into a modern, multi-modal transportation system.

OTHER INFORMATION

Acknowledgments

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.

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.



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

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
BOARD OF TRUSTEES AND ADMINISTRATION
December 31, 2023

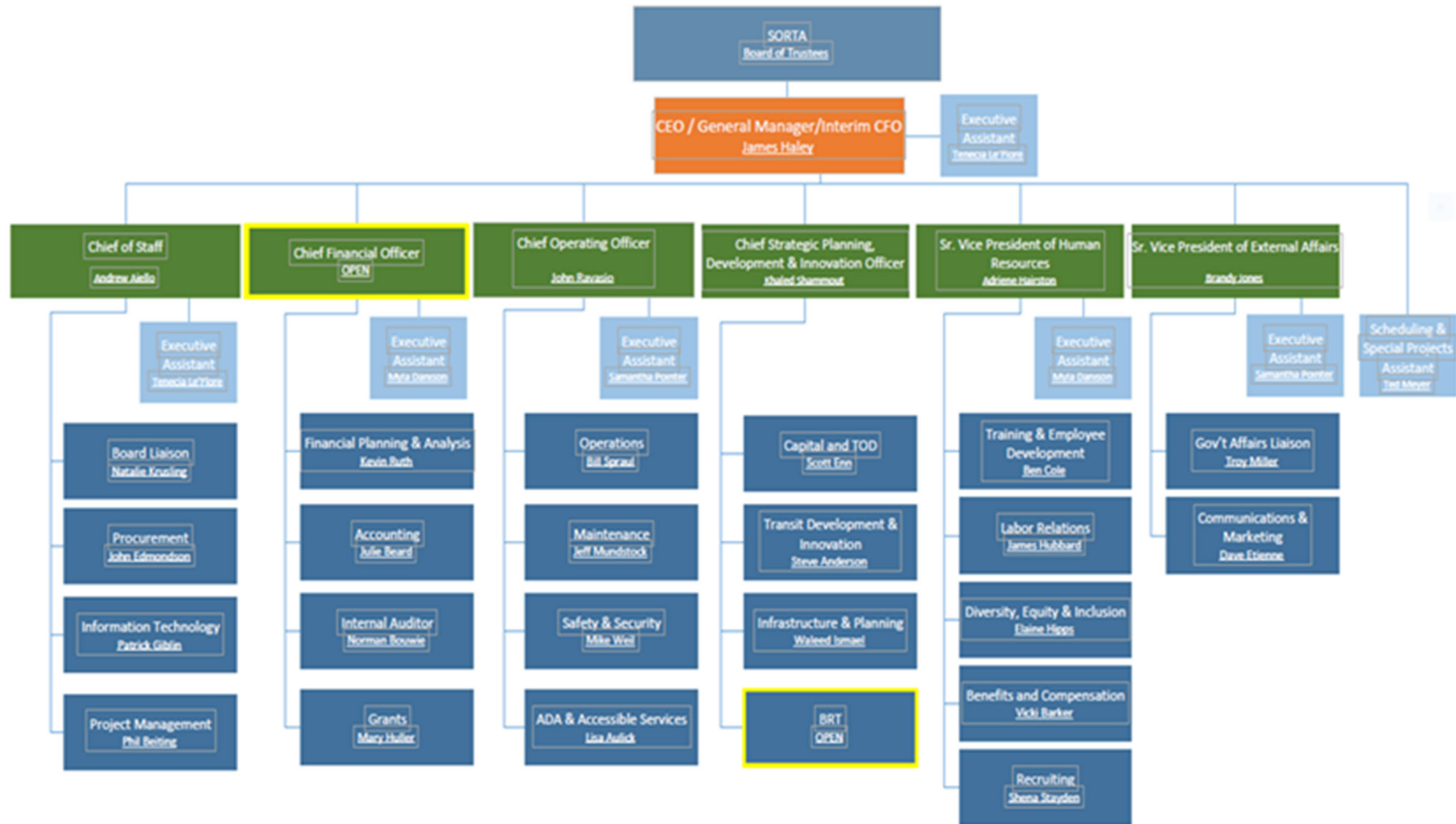
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Blake Ethridge
Allan Freeman
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Sara Sheets
Sonja Taylor
Larry Thompson

Administration

Darryl Haley, Chief Executive Officer, General Manager, Interim Chief Financial Officer, and Secretary-Treasurer
John Ravasio, Chief Operating Officer
Vacant, Chief Financial Officer
Andrew Aiello, Chief of Staff
Khaled Shammout, Chief Strategic Planning, Development & Innovation Officer
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SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 TABLE OF ORGANIZATION
 December 31, 2023





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Southwest Ohio Regional Transit Authority

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO



THE STATE OF OHIO



KEITH FABER
OHIO AUDITOR OF STATE

OHIO AUDITOR OF STATE
AWARD WITH DISTINCTION

Presented to

**Southwest Ohio Regional
Transit Authority**

Larry Pinkelton, Chief Financial Officer

This award is presented for excellence in financial reporting related to your Annual Comprehensive Financial Report and compliance with applicable laws for the fiscal year ended in 2022.

Your exemplary reporting serves as the standard for clean, accountable government, representing the highest level of service to Ohioans.



Keith Faber
Keith Faber, Auditor of State



INDEPENDENT AUDITOR'S REPORT

Finance Committee
Southwest Ohio Regional Transit Authority
Cincinnati, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Southwest Ohio Regional Transit Authority ("the Authority"), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Authority's proportionate share of net pension liability, the schedule of Authority's proportionate share of net pension asset, the schedules of the Authority's contributions and the schedule of Authority's proportionate share of net OPEB liability as identified in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

(Continued)

Supplementary Information

Our audits were 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) is presented for purposes of additional analysis 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 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, 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2024 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 results 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.



Crowe LLP

Columbus, Ohio
July 8, 2024

FINANCIAL SECTION

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

The Southwest Ohio Regional 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, 2023. 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 2023 was \$366.3 million, which represents an increase of \$79.2 million or 27.6%, compared to the balance at the end of 2022.
- Operating revenue for the year was \$16.9 million, which represents an increase of about \$1.1 million, or 7.2%, from 2022.
- Operating expenses for the year (excluding depreciation and amortization) were \$169.0 million, which represents an increase of \$61.8 million, or 57.6% over 2022.
- Non-operating revenues, net of non-operating expenses, including federal, state and local subsidies, were \$228.1 million in 2023, which represents an increase of \$9.7 million, or 4.5%, compared to 2022.

Overview of Financial Statements

This discussion and analysis are 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 cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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,		
	<u>2023</u>	<u>2022 (As Restated)</u>	<u>2021 (As Restated)</u>
Current assets	\$ 215,892	\$ 196,691	\$ 110,672
Capital assets - net	144,618	125,552	118,872
Other non-current assets	116,536	83,556	45,076
Total assets	<u>477,046</u>	<u>405,799</u>	<u>274,620</u>
Deferred outflows of resources	<u>66,484</u>	<u>19,623</u>	<u>15,256</u>
Total assets and deferred outflows of resources	<u>543,530</u>	<u>425,422</u>	<u>289,876</u>
Current Liabilities	33,473	38,499	23,104
Non-current liabilities	142,685	46,578	69,173
Total liabilities	<u>176,158</u>	<u>85,077</u>	<u>92,277</u>
Deferred inflows of resources	<u>1,059</u>	<u>53,187</u>	<u>43,443</u>
Total liabilities and deferred inflows of resources	<u>177,217</u>	<u>138,264</u>	<u>135,720</u>
Net position			
Net investment in capital assets	124,456	100,558	109,869
Restricted	122,990	89,101	48,409
Unrestricted	118,867	97,499	(4,122)
Total net position	<u>366,313</u>	<u>287,158</u>	<u>154,156</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 543,530</u>	<u>\$ 425,422</u>	<u>\$ 289,876</u>

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

As noted earlier, net position over time may serve as a useful indicator of the Authority's financial position. As of December 31, 2023, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$366.3 million, which is an increase in net position of \$79.2 million, or 27.6% from 2022. As of December 31, 2022, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$287.2 million, which is an increase in net position of \$133.0 million, or 86.3% from 2021. It is further noted that over the past eleven years, the adoption of GASB 68 and 75 (see Notes 7 and 8) has decreased the net position of the Authority by \$63.0 million.

By far the largest portion of the Authority's net position is its investment in capital assets, less the outstanding balance of any debt used to acquire those assets. Capital assets include land and land improvements, revenue producing and service equipment, buildings and structures, shop equipment, office furnishings and computer equipment. With the implementation of GASB Statement No. 87 and No. 96 we are also including right to use leased assets and subscription-based information technology agreements (SBITAs). 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 capital assets as of December 31, 2023, amounts to \$144.6 million, net of accumulated depreciation, which is an increase of \$19.0 million, or 15.2%, from 2022.

Major capital asset expenditures during 2023 included the following:

- \$8.2 million to purchase 12 new 40-foot diesel buses.
- \$2.2 million to purchase 14 *MetroNow!* buses.

Depreciation and amortization were \$16.7 million in 2023.

The Authority's net capital assets as of December 31, 2022, amounts to \$125.6 million, net of accumulated depreciation, which is an increase of \$6.7 million, or 5.6%, from 2021.

Major capital asset expenditures during 2022 included the following:

- \$14.7 million to purchase 25 new 40-foot diesel buses.

Depreciation and amortization were \$15.7 million in 2022.

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

Debt Administration

The Authority has no outstanding debt as of December 31, 2023. However, due to the implementation of GASB Statement No. 87 in 2022 and GASB Statement No. 96 in 2023, the Authority has facilities, equipment, and subscription-based information technology lease liabilities at December 31, 2022 and 2023.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

The following summarizes the changes in the lease/SBITAs liabilities at December 31, 2022 and 2023:

<u>Area</u>	<u>2022 Beginning Liability</u>	<u>2022 Ending Liability</u>	<u>2023 Ending Liability</u>
MCA Center	\$ 256,691	\$ 223,264	\$ 188,808
Huntington Center	8,485,030	8,047,948	7,548,675
Duke Energy	57,953	45,688	33,344
FP Mailing Solutions	24,136	18,824	13,492
Dell	465,870	163,775	-
Open Gov	-	457,681	337,310
	<u>\$ 9,289,680</u>	<u>\$ 8,957,180</u>	<u>\$ 8,121,629</u>

Amortization expense was \$934 thousand for 2023.

Leases and SBITAs including long term are presented in detail in Note 11.

Condensed Statements of Revenues, Expenses and Changes in Net Position (amounts in thousands)

	<u>For Fiscal Year Ending December 31</u>		
	<u>2023</u>	<u>2022 (As Restated)</u>	<u>2021 (As Restated)</u>
Operating revenues:			
Passenger fares	\$ 15,400	\$ 14,448	\$ 11,500
Other operating revenues	1,485	1,299	1,029
Total operating revenues	<u>16,885</u>	<u>15,747</u>	<u>12,529</u>
Operating expenses other than depreciation and amortization	169,030	107,245	80,887
Depreciation and amortization expense	16,722	15,670	16,519
Total operating expenses	<u>185,752</u>	<u>122,915</u>	<u>97,406</u>
Operating loss	(168,867)	(107,168)	(84,877)
Non-operating revenues:			
Operating assistance from City of Cincinnati	-	(416)	9,480
Sales and use tax revenue	141,710	141,872	134,772
Federal maintenance grants	68,379	71,867	24,206
State maintenance grants	2,320	3,473	4,104
Local operating grants and assistance	67	202	1,913
Other non-operating revenues	15,589	1,331	784
Total non-operating revenues	<u>228,065</u>	<u>218,329</u>	<u>175,259</u>

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

	For Fiscal Year Ending December 31		
	<u>2023</u>	<u>2022 (As Restated)</u>	<u>2021 (As Restated)</u>
Net income (loss) before capital grant activity	\$ 59,198	\$ 111,161	\$ 90,382
Capital grant revenue	<u>19,956</u>	<u>21,842</u>	<u>24,709</u>
Change in net position	79,154	133,003	115,091
Net position, beginning of year	<u>287,159</u>	<u>154,156</u>	<u>39,065</u>
Net position, end of year	<u>\$ 366,313</u>	<u>\$ 287,159</u>	<u>\$ 154,156</u>

Operating Revenues

The Authority's operating revenues were \$16.9 million in 2023, which represents an increase of \$1.1 million, or 7.2%, compared to 2022. This increase is due primarily to increased service provided resulting in an increase in ridership during the year.

The Authority's operating revenues were \$15.7 million in 2022, which represents an increase of \$3.2 million, or 25.7%, compared to 2021. This increase is due primarily to increased service provided resulting in an increase in ridership during the year.

Operating Expenses

The Authority's operating expenses, other than depreciation and amortization, were \$169.0 million in 2023, which represents an increase of \$61.8 million, or 57.6%, compared to 2022. This increase was driven by several factors:

- \$9.5 million increase in labor and fringe due to increased service during 2023, and bi-annual increases for bargaining unit employees
- \$ 30.3 million increase in GASB 68 and 75 pension and OPEB expenses.
- \$8.5 million increase in payments for Transit Infrastructure program.

The Authority's operating expenses, other than depreciation and amortization, were \$107.2 million in 2022, which represents an increase of \$26.4 million, or 32.6%, compared to 2021. This increase was driven by several factors:

- \$11.7 million increase in labor and fringe due to increased service during 2022, and bi-annual increases for bargaining unit employees. There were also over 60 new administrative positions added in 2022.
- \$ 23.4 million decrease in GASB 68 and 75 pension and OPEB revenue.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

This increase was partially offset by:

- \$11.3 million reduction of casualty and liability costs.

Non-Operating Revenues

Non-operating revenues were \$228.1 million in 2023, which is an increase of \$9.7 million, or 4.5%, over 2022. This increase is due to \$8.8 million from investment earnings and \$5.7 million from an increase in investments fair market value. These increases were offset by a decrease of \$4.6 million from federal and state grants and reimbursements.

Non-operating revenues were \$218.3 million in 2022, which is an increase of \$43.1 million, or 24.6%, over 2021. This increase is due to \$7.1 million from sales and use tax revenue and \$47.7 million from federal grants and reimbursements. These increases were offset by a decrease of \$9.9 million from the City of Cincinnati Income Tax Operating Assistance.

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, 2023 and 2022

ASSETS AND DEFERRED OUTFLOWS	<u>2023</u>	<u>2022</u> (As Restated)
Current Assets:		
Cash and cash equivalents (Note 4)	\$ 1,816,675	\$ 974,496
Investments (Note 4)	162,785,541	133,533,180
Receivables:		
Sales and use tax	40,654,820	40,121,836
State assistance	1,039,730	3,567,501
Capital assistance	1,880,785	11,421,871
Lease	-	11,371
Other	3,817,178	3,711,662
Inventory of materials and supplies	2,089,692	1,869,701
Prepaid expenses and other current assets	1,808,214	1,479,290
Total current assets	<u>215,892,635</u>	<u>196,690,908</u>
Noncurrent Assets:		
Restricted investments (Note 4)	115,669,105	70,119,923
Net pension asset (Note 7)	866,703	1,441,562
Net OPEB asset - OPERS (Note 8)	-	11,932,313
Lease receivable, due in more than one year	-	62,312
Capital assets (Note 5):		
Land and buildings	15,284,789	15,284,789
Improvements	44,104,581	42,168,586
Revenue vehicles	176,544,501	167,311,930
Other equipment	47,555,868	43,232,068
Construction in progress	22,835,852	18,899,701
Total capital assets	306,325,591	286,897,074
Less allowance for depreciation	(169,402,682)	(169,973,377)
Amortized assets, net	7,695,044	8,628,776
Capital assets, net	<u>144,617,953</u>	<u>125,552,473</u>
Total noncurrent assets	<u>261,153,761</u>	<u>209,108,583</u>
Total assets	<u>477,046,396</u>	<u>405,799,491</u>
Deferred Outflows of Resources:		
OPEB (Note 8)	8,076,343	974,077
Pension (Note 7)	58,407,247	18,648,338
Total deferred outflows of resources	<u>66,483,590</u>	<u>19,622,415</u>
 Total assets and deferred outflows of resources	 <u>\$ 543,529,986</u>	 <u>\$ 425,421,906</u>

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

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 STATEMENTS OF NET POSITION (Continued)
 As of December 31, 2023 and 2022

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>2023</u>	<u>2022</u> (As Restated)
Current liabilities:		
Accounts payable	\$ 3,098,452	\$ 4,212,872
Accounts payable - capital additions	12,506,539	16,576,931
Accrued payroll	2,126,591	1,416,791
Accrued payroll taxes and other benefits	10,605,713	10,492,756
Current portion of estimated claims payable (Note 9)	3,600,569	3,701,671
Lease and subscription liability (Note 11)	675,010	839,828
Other current liabilities	860,306	1,258,149
Total current liabilities	<u>33,473,180</u>	<u>38,498,998</u>
Noncurrent Liabilities:		
Estimated claims payable, net of current portion (Note 9)	4,022,686	2,716,700
Net pension liability (Note 7)	126,530,701	33,239,844
Net OPEB liability - OPERS (Note 8)	2,676,554	-
Other post employment benefits (Note 8)	787,602	1,282,645
Lease and subscription liability, due in more than one year (Note 11)	7,450,162	8,121,623
Other non-current liabilities	1,217,100	1,217,100
Total non-current liabilities	<u>142,684,805</u>	<u>46,577,912</u>
Total liabilities	<u>176,157,985</u>	<u>85,076,910</u>
Deferred Inflows of Resources:		
OPEB (Note 8)	882,747	12,328,501
Pension (Note 7)	176,621	40,786,454
Lease (Note 11)	-	71,555
Total deferred inflows of resources	<u>1,059,368</u>	<u>53,186,510</u>
Net position:		
Net investment in capital assets	124,455,913	100,557,951
Restricted for:		
Net pension asset	866,703	1,441,562
City of Cincinnati Income Tax Transit Fund escrow	3,000,000	3,000,000
Oasis Trail	3,000,000	3,000,000
Sales and use tax - Infrastructure	116,123,021	81,659,958
Unrestricted deficit	118,866,996	97,499,015
Total net position	<u>366,312,633</u>	<u>287,158,486</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 543,529,986</u>	<u>\$ 425,421,906</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(As Restated)</u>
Operating Revenues		
Passenger fares for transit service	\$ 15,400,213	\$ 14,448,379
Special transit fares	732,298	622,372
Auxiliary transportation revenue	752,416	676,609
Total operating revenues	<u>16,884,927</u>	<u>15,747,360</u>
Operating expenses other than depreciation:		
Labor	74,806,169	64,435,070
Fringe benefits	33,678,049	34,512,130
Materials and supplies consumed	17,362,514	13,551,447
Services	8,247,905	7,073,961
Grant pass-through– FRA	3,502,264	-
Utilities	2,400,709	2,419,705
Casualty and liability expense (revenue)	3,139,759	(53,118)
Taxes	1,347,201	1,328,102
Leases and rentals	441,967	568,325
Miscellaneous	5,223,378	3,311,216
Infrastructure program payments	9,322,000	803,451
Pension and OPEB expense (revenue)	9,557,821	(20,705,155)
Total operating expenses other than depreciation	<u>169,029,736</u>	<u>107,245,134</u>
Depreciation and amortization (Note 5)	16,722,219	15,669,839
Total operating expenses	<u>185,751,955</u>	<u>122,914,973</u>
Operating loss	<u>\$ (168,867,028)</u>	<u>\$ (107,167,613)</u>

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 (Continued)
 For Fiscal Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u> <u>(As Restated)</u>
Nonoperating Revenues (Expenses):		
Operating assistance from the City of Cincinnati Income Tax Transit Fund (Note 3)	\$ -	\$ (415,735)
Sales and use tax revenue	141,710,015	141,871,772
Federal maintenance grants and reimbursements (Note 6)	68,379,052	71,867,436
State maintenance grants, reimbursements and special fare assistance (Note 6)	2,319,937	3,473,021
Local operating grants and special fare assistance (Note 6)	66,690	201,734
Investment income, net (Note 4)	11,577,966	2,734,522
Increase (decrease) in fair value of investments	3,256,527	(2,427,950)
Non-transportation revenue	<u>754,882</u>	<u>1,024,106</u>
Total nonoperating revenues (expenses)	228,065,069	218,328,906
Net income before capital grant activity	59,198,041	111,161,293
Capital grant revenue (Note 6)	<u>19,956,106</u>	<u>21,841,435</u>
Increase in net position during the year	79,154,147	133,002,728
Net position, beginning of year	<u>287,158,486</u>	<u>154,155,758</u>
Net position, end of year	<u>\$ 366,312,633</u>	<u>\$ 287,158,486</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022 (As Restated)</u>
Cash Flows From Operating Activities:		
Receipts from fares and special service	\$ 16,571,916	\$ 15,796,878
Payments for labor and employee benefits	(113,338,779)	(116,137,365)
Payments to suppliers	(32,138,349)	(21,162,897)
Payments for claims and insurance	(2,598,632)	(1,242,749)
Net cash used in operating activities	<u>(131,503,844)</u>	<u>(122,746,133)</u>
Cash Flows From Noncapital Financing Activities:		
Transfer from City of Cincinnati Income Tax Transit Fund	-	9,064,005
Federal maintenance grants and reimbursements	68,379,052	71,867,436
State maintenance grants, reimbursements and special fare assistance	4,847,708	2,216,585
Sales and use tax	141,177,031	140,007,177
Other local operating assistance received	66,690	531,114
Net cash provided by noncapital financing activities	<u>214,470,481</u>	<u>223,686,317</u>
Cash Flows From Capital and Related Financing Activities:		
Capital grants received:		
Federal and other local	23,212,633	21,841,434
Additions to capital assets	(40,791,822)	(5,324,385)
Net cash provided by (used in) capital and related financing activities	<u>(17,579,189)</u>	<u>16,517,049</u>
Cash Flows From Investing Activities:		
Net cash payments from investment securities	(71,545,016)	(111,602,189)
Interest received	6,999,747	1,958,612
Net cash used in investing activities	<u>(64,545,269)</u>	<u>(109,643,577)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	842,179	7,813,656
Cash and Cash Equivalents at Beginning of Year (Checks in Excess of Cash Balance)	<u>974,496</u>	<u>(6,839,160)</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,816,675</u>	<u>\$ 974,496</u>

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

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS (Continued)
For Fiscal Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022 (As Restated)</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating loss	\$ (168,867,028)	\$ (107,167,613)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	16,722,219	15,669,839
Non-transportation revenue	754,882	1,024,106
Effect of changes in assets, liabilities, deferred outflows and inflows:		
Lease receivables	73,683	47,678
Other receivables	1,216,175	(2,026,125)
Deferred outflow of resources - OPEB	(7,102,266)	3,700,473
Deferred outflow of resources - pension	(39,758,909)	(8,067,124)
Receivables for capital assistance	9,541,086	(10,699,188)
Inventory of materials and supplies	(219,991)	(270,539)
Prepaid expenses and other current assets	(328,924)	(625,747)
Net pension asset	574,859	(376,952)
Net OPEB asset	14,608,867	(5,516,486)
Right-to-use lease asset, net	933,732	-
Accounts payable	(1,114,420)	1,627,325
Accrued expenses	822,757	3,619,440
Other liabilities	(397,843)	191,989
Estimated claims payable	1,204,884	(1,967,118)
Net pension liability	93,290,857	(20,236,866)
Other post employment benefits	(495,043)	(514,527)
Lease/subscription liability	(836,279)	(901,942)
Deferred inflow of resources - OPEB	(11,445,754)	(7,402,499)
Deferred inflow of resources - pension	(40,609,833)	17,194,299
Deferred inflow of resources - lease	(71,555)	(48,556)
Net cash used in operating activities	<u>\$ (131,503,844)</u>	<u>\$ (122,746,133)</u>
Supplemental Disclosure of Noncash Activity		
Increase (decrease) in fair value of investments	<u>\$ 3,256,527</u>	<u>\$ (2,427,950)</u>
Capital additions in payables	<u>\$ 12,506,539</u>	<u>\$ 16,576,931</u>

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

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

1. Organization and Reporting Entity

A. Organization

The Southwest Ohio Regional Transit Authority (“SORTA” or the “Authority” or “Metro”) 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, Ohio (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 or the County. 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.

B. Net Position Classifications

Analysis—for State and Local Governments: Omnibus,” as amended by GASB Statement GASB Statement No. 34, “Basic Financial Statements—and Management’s Discussion and 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:

- i. 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.
- ii. 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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

- iii. 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 sales tax collections from Hamilton County, Ohio (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 highlyliquid 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.

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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

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. Right-to-Use Leases and Subscriptions

Lease Receivables: As part of normal operations, SORTA has entered into various agreements for office space as lessor. The associated lease receivables are calculated at the net present value of lease payments, expected to be received over the term of the leases.

Right to Use Leases and Subscriptions: As part of normal operations, SORTA has entered into various agreements as lessee or subscriber for equipment, subscription-based information technology arrangements (SBITAs), and other right to use asset classes. This has resulted in the reporting of right to use lease and SBITA assets and liabilities, which are calculated at the present value of the fixed lease payments expected over the term of the lease and remeasured for any change in lease payment or lease modification. SORTA recognizes all leases and SBITAs with an initial net present value of \$100,000 or more. The right to use lease and SBITA assets are reduced for any incentives and are amortized over the shorter of the useful life of the asset or the remaining lease term. The lease liabilities decrease as payments are made and interest expense is recognized for the period.

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

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

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

K. Claims

As described in Note 10, SORTA is self-insured for public liability, personal injury, third-party property damage, health insurance, and workers' compensation claims. SORTA recognizes a liability for such claims if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

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

L. Compensated Absences

Vacation and sick pay are accrued and charged to expense as earned.

M. 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 2023 or 2022. All operating budget amounts lapse at year end.

N. 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.

O. 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. The Authority does not currently have any non-operating expense.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

P. Pensions/Other Postemployment Benefits (OPEB)

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

Q. Deferred Outflows and Inflows

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until then. See Notes 7 and 8 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 assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. See Notes 7 and 8 for detail on the Authority's deferred inflows of resources related to its net pension liability (asset) and net OPEB liability, respectively.

R. Implementation of New GASB Pronouncements for the Year Ended December 31, 2023

During fiscal year ended December 31, 2023, SORTA has implemented the following new GASB Pronouncements:

GASB Statement No. 96 — In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs). The objective of the statement is to improve financial reporting by establishing a definition and uniform accounting guidance for subscription-based information technology arrangements.

The statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than the subscription payments, including implementation codes of a SBITA; and (4) requires not disclosures regarding a SBITA. GASB Statement No. 96 requires a restatement of beginning balances, if practicable, for all periods presented. If restatement for prior periods is not practicable, the cumulative effect of applying this statement should be reported as a restatement of beginning net position. SORTA presents comparative financial statements, thus will report a restatement of prior year. As a result of implementation, SORTA reported lessee activity of a \$465,870 right-to-use SBITA asset and a \$465,870 SBITA liability as of January 1, 2022. There was no impact on beginning net position at January 1, 2022 as a result of the implementation.

The implementation of GASB 96 resulted in the restatement of 2022 amounts in various line items. Line items that were impacted include amortized assets, net, lease liability, and net investment in capital assets on the Statement of Net Position and the reduction of services expense and increase of leases and rental expense and depreciation and amortization expense on the Statement of Revenue, Expenses, and Changes in Net Position. The overall impact on 2022 net position was an increase of \$211,185.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs. This statement was applicable; however, had no material impact on the financial statements as of December 31, 2023.

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 County sales tax levy which became effective October 1, 2020.

In May, 2020, the voters of the 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). Infrastructure improvement projects are awarded on a competitive basis and 2023 marked the first year that SORTA had significant payouts for this program. 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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

4. Cash and Investments (Continued)

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution, or may deposit surety company bonds that when executed shall be for an amount in excess of collateral requirements. Re-purchase agreements must be secured by the specific government securities upon which the re-purchase 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.

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, 2023 and 2022, the Authority maintained restricted cash and cash equivalents and investments of \$115,669,105 and of \$70,119,923 respectively, and unrestricted cash and cash equivalents and investments of \$164,602,216 and \$134,507,676 respectively. The total cash and investments of \$280,271,321 and \$204,627,599, respectively, consisted of \$1,816,675 and \$974,496, respectively, in deposits and \$278,454,646 and \$203,653,103 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 \$1,816,675 and \$974,496 at December 31, 2023

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

4. Cash and Investments (Continued)

and 2022, respectively. At December 31, 2023, the bank balance was \$206,084. The entire balance was covered by federal depository insurance. At December 31, 2022, the bank balance was \$689,420. Of that balance, \$250,000 was covered by federal depository insurance and \$439,420 was covered by OPCS.

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, 2023 and 2022, the fair value of the Authority's investments were as follows:

	<u>2023</u>	<u>2022</u>
Star Treasury Reserve of Ohio (STAROhio)	\$ 102,705,553	\$ 126,497,546
U.S. Agency bonds	132,251,897	65,085,042
Commercial paper	<u>43,497,196</u>	<u>12,070,515</u>
Total investments	<u>\$ 278,454,646</u>	<u>\$ 203,653,103</u>

Investments held by the Authority at December 31, 2023 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.

<u>Investment Type</u>	<u>Balance</u>	<u>Not Rated</u>	<u>AAA</u>	<u>AAAm</u>	<u>Below BBB</u>
Star Treasury Reserve of Ohio (STAROhio)	\$ 102,705,553	\$ -	\$ -	\$ 102,705,553	\$ -
U.S. Agency bonds	132,251,897	-	132,251,897	-	-
Commercial paper	<u>43,497,196</u>	<u>43,497,196</u>	-	-	-
Total Investments	<u>\$ 278,454,646</u>	<u>\$ 43,497,196</u>	<u>\$ 132,251,897</u>	<u>\$ 102,705,553</u>	<u>\$ -</u>

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

4. Cash and Investments (Continued)

The following table presents the Authority's investments as of December 31, 2023, 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)	\$ 102,705,553	\$ 102,705,553	\$ -	\$ -	\$ -
U. S. Agency bonds	132,251,897	24,492,996	107,758,901	-	-
Commercial paper	<u>43,497,196</u>	<u>43,497,196</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 278,454,646</u>	<u>\$ 170,695,745</u>	<u>\$ 107,758,901</u>	<u>\$ -</u>	<u>\$ -</u>

Investments held by the Authority at December 31, 2022 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)	\$ 126,497,546	\$ -	\$ -	\$ 126,497,546	\$ -
U.S. Agency bonds	65,085,042	-	65,085,042	-	-
Commercial paper	<u>12,070,515</u>	<u>12,070,515</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 203,653,103</u>	<u>\$ 12,070,515</u>	<u>\$ 65,085,042</u>	<u>\$ 126,497,546</u>	<u>\$ -</u>

The following table presents the Authority's investments as of December 31, 2022, 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)	\$ 126,497,546	\$ 126,497,546	\$ -	\$ -	\$ -
U. S. Agency bonds	65,085,042	16,717,321	48,367,721	-	-
Commercial paper	<u>12,070,515</u>	<u>12,070,515</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 203,653,103</u>	<u>\$ 155,285,382</u>	<u>\$ 48,367,721</u>	<u>\$ -</u>	<u>\$ -</u>

STAROhio is valued at amortized cost.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

4. Cash and Investments (Continued)

The Authority categorizes its fair value measurements at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs (quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs such as investments and yield curves, implied volatility, and credit spreads); Level 3 inputs are significant unobservable inputs.

As of December 31, 2023 the Authority's investments had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Level 3	Total
U. S. Agency bonds	\$ -	\$ 132,251,897	\$ -	\$ 132,251,897
Commercial paper	-	43,497,196	-	43,497,196
Total Investments	\$ -	\$ 175,749,093	\$ -	\$ 175,749,093

As of December 31, 2022 the Authority's investments had the following recurring fair value measurements:

Investment Type	Level 1	Level 2	Level 3	Total
U. S. Agency bonds	\$ -	\$ 65,085,042	\$ -	\$ 65,085,042
Commercial paper	-	12,070,515	-	12,070,515
Total Investments	\$ -	\$ 77,155,557	\$ -	\$ 77,155,557

Cash, cash equivalents and investments at December 31, 2023 and 2022 consist of the following:

	2023	2022
Deposits	\$ 824,348	\$ (17,831)
Certificates of deposit	992,327	992,327
STAR Ohio	102,705,553	126,497,546
U.S. Agency bonds	132,251,897	65,085,042
Commercial paper	43,497,196	12,070,515
	\$ 280,271,321	\$ 204,627,599

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

5. Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023 <u>(As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance December 31, 2023
Capital assets not being depreciated:					
Land	\$ 13,823,548	\$ -	\$ -	\$ -	\$ 13,823,548
Construction in progress	18,899,701	20,879,734	-	(16,943,583)	22,835,852
Total capital assets not being depreciated	<u>32,723,249</u>	<u>20,879,734</u>	<u>-</u>	<u>(16,943,583)</u>	<u>36,659,400</u>
Capital assets being depreciated:					
Buildings	1,461,241	-	-	-	1,461,241
Improvements	42,168,586	616,415	-	1,319,580	44,104,581
Revenue vehicles	167,311,930	10,535,111	16,021,015	14,718,475	176,544,501
Other equipment	43,232,068	3,809,658	391,386	905,528	47,555,868
Total capital assets being depreciated	<u>254,173,825</u>	<u>14,961,184</u>	<u>16,412,401</u>	<u>16,943,583</u>	<u>269,666,191</u>
Less accumulated depreciation:					
Buildings	853,360	36,531	-	-	889,891
Improvements	32,103,243	1,237,029	-	-	33,340,272
Revenue vehicles	100,178,025	12,297,756	16,021,015	-	96,454,766
Other equipment	36,838,749	2,270,390	391,386	-	38,717,753
Total accumulated depreciation	<u>169,973,377</u>	<u>15,841,706</u>	<u>16,412,401</u>	<u>-</u>	<u>169,402,682</u>
Total capital assets being depreciated, net	<u>84,200,448</u>	<u>(880,522)</u>	<u>-</u>	<u>16,943,583</u>	<u>100,263,509</u>
Right to Use Assets (See Note 2, part I)					
Leases	9,029,446	-	-	-	9,029,446
SBITAs	1,017,538	-	-	-	1,017,538
Less accumulated amortization	<u>1,418,208</u>	<u>933,732</u>	<u>-</u>	<u>-</u>	<u>2,351,940</u>
Amortized assets, net	<u>8,628,776</u>	<u>(933,732)</u>	<u>-</u>	<u>-</u>	<u>7,695,044</u>
Total capital assets, net	<u>\$ 125,552,473</u>	<u>\$ 19,065,480</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,617,953</u>

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

5. Capital Assets (Continued)

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022 <u>(As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance December 31, 2022 <u>(As Restated)</u>
Capital assets not being depreciated:					
Land	\$ 13,823,548	\$ -	\$ -	\$ -	\$ 13,823,548
Construction in progress	825,533	18,677,432	13,680	(589,584)	18,899,701
Total capital assets not being depreciated	<u>14,649,081</u>	<u>18,677,432</u>	<u>13,680</u>	<u>(589,584)</u>	<u>32,723,249</u>
Capital assets being depreciated:					
Buildings	1,461,241	-	-	-	1,461,241
Improvements	41,557,965	703,929	250,453	157,145	42,168,586
Revenue vehicles	172,264,126	721,016	5,673,212	-	167,311,930
Other equipment	42,790,349	1,695,833	1,686,553	432,439	43,232,068
Total capital assets being depreciated	<u>258,073,681</u>	<u>3,120,778</u>	<u>7,610,218</u>	<u>589,584</u>	<u>254,173,825</u>
Less accumulated depreciation:					
Buildings	816,829	36,531	-	-	853,360
Improvements	31,172,771	1,174,455	243,983	-	32,103,243
Revenue vehicles	93,996,638	11,854,599	5,673,212	-	100,178,025
Other equipment	36,742,357	1,781,444	1,685,052	-	36,838,749
Total accumulated depreciation	<u>162,728,595</u>	<u>14,847,029</u>	<u>7,602,247</u>	<u>-</u>	<u>169,973,377</u>
Total capital assets being depreciated, net	<u>95,345,086</u>	<u>(11,726,251)</u>	<u>7,971</u>	<u>589,584</u>	<u>84,200,448</u>
Right to Use Assets (See Note 2, part I)					
Leases	9,029,446	-	-	-	9,029,446
SBITAs	465,870	551,668	-	-	1,017,538
Less accumulated amortization	617,445	800,763	-	-	1,418,208
Amortized assets, net	<u>8,877,871</u>	<u>(249,095)</u>	<u>-</u>	<u>-</u>	<u>8,628,776</u>
Total capital assets, net	<u>\$ 118,872,038</u>	<u>\$ 6,702,086</u>	<u>\$ 21,651</u>	<u>\$ -</u>	<u>\$ 125,552,473</u>

Prior to 1986, under terms of the former 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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Non-operating revenues:		
Federal:		
FTA-Maintenance and other assistance	\$ 68,379,052	\$ 71,867,436
State:		
ODOT-Fuel tax reimbursement	\$ 1,280,207	\$ 1,187,416
ODOT-Maintenance and other assistance	1,039,730	2,285,605
Total	<u>\$ 2,319,937</u>	<u>\$ 3,473,021</u>
County:		
Sales and use tax	<u>\$141,710,015</u>	<u>\$141,871,772</u>
Local:		
Other	<u>\$ 66,690</u>	<u>\$ 201,734</u>
Capital grant revenue:		
Federal	\$ 5,291,061	\$ 11,579,575
State	-	577,597
Local	<u>14,665,045</u>	<u>9,684,263</u>
Total	<u>\$ 19,956,106</u>	<u>\$ 21,841,435</u>

7. 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.

(Continued)

7. Defined Benefit Pension Plan (Continued)

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 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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

7. Defined Benefit Pension Plan (Continued)

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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

7. Defined Benefit Pension Plan (Continued)

Funding Policy

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

	<u>2023</u>	<u>2022</u>
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	<u>0.0%</u>	<u>0.0%</u>
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 \$10,599,000 for 2023 and \$9,297,000 for 2022. All required contributions have been paid.

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

The 2023 net pension liability (asset) for OPERS was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 2023 OPERS total pension liability was measured as of December 31, 2022, and was determined by rolling forward the total pension liability as of January 1, 2022, to December 31, 2022, and for 2022, January 1, 2021 rolled forward to December 31, 2021. 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:

	<u>2023</u>			
	<u>Traditional</u>	<u>Combined</u>	<u>Member</u>	<u>Total</u>
Proportionate share of the Net Pension Liability (Asset)	\$ 126,530,701	\$ (836,688)	\$ (30,015)	\$ 125,663,998
Proportion of the Net Pension Liability	0.428336%	0.354996%	0.383815%	
Pension Expense	\$ 24,319,145	\$ 106,022	\$ 154,761	\$ 24,579,928

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

7. Defined Benefit Pension Plan (Continued)

	2022			
	<u>Traditional</u>	<u>Combined</u>	<u>Member</u>	<u>Total</u>
Proportionate share of the Net Pension Liability (Asset)	\$ 33,239,844	\$ (1,441,562)	\$ (66,380)	\$ 31,731,902
Proportion of the Net Pension Liability	0.382049%	0.365874%	0.365605%	
Pension Expense	\$ (2,338,513)	\$ (57,491)	\$ (69,787)	\$ (2,465,791)

At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional	Combined	Member	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	\$4,202,819	\$51,439	\$86,254	
Net difference between projected and actual earnings on pension plan investments	36,065,225	304,924	14,070	
Change in assumptions	1,336,708	55,393	1,907	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	5,637,707	50,508	918	
Authority contributions subsequent to the measurement date	10,380,056	219,319		
Total Deferred Outflows of Resources	\$57,622,515	\$681,583	\$103,149	\$58,407,247
Deferred Inflows of Resources				
Net difference between expected and actual experience		\$119,552		
Changes in proportion and differences between Authority contributions and proportionate share of contributions		39,890	\$17,179	
Total Deferred Inflows of Resources	\$0	\$159,442	\$17,179	\$176,621

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

7. Defined Benefit Pension Plan (Continued)

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Traditional	Combined	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 1,694,518	\$ 8,943	
Change in assumptions	4,156,608	72,442	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	3,390,661	28,295	
Authority contributions subsequent to the measurement date	9,072,977	223,894	
Total Deferred Outflows of Resources	\$18,314,764	\$333,574	\$18,648,338
Deferred Inflows of Resources			
Net difference between expected and actual experience	\$ 729,032	\$161,234	
Net difference between projected and actual earnings on pension plan investments	39,537,585	309,049	
Changes in proportion and differences between Authority contributions and proportionate share of contributions		49,554	
Total Deferred Inflows of Resources	\$40,266,617	\$519,837	\$40,786,454

Contributions subsequent to the measurement date of \$10.6 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, 2024 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:

Fiscal Year Ending December 31:	<u>Amortization</u>
2024	\$ 8,978,511
2025	10,075,777
2026	10,710,422
2027	17,815,811
2028	9,644
Thereafter	<u>41,086</u>
Total	<u>\$ 47,631,251</u>

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

7. Defined Benefit Pension Plan (Continued)

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, 2022 and 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Traditional</u>	<u>Combined</u>	<u>Member</u>
Wage Inflation	2.75%	2.75%	2.75%
Future Salary Increases, Including Inflation	2.75% – 10.75%	2.75% - 8.25%	2.75% - 8.25%
Cost-of-Living Adjustment	3% Simple	3% Simple	3% Simple
Investment Rate of Return	6.90%	6.90%	6.90%
Actuarial Cost Method	Individual entry age	Individual entry age	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

The discount rate used to measure the total pension liability was 6.9% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

7. Defined Benefit Pension Plan (Continued)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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 2022 and 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation for 2022	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	22.00%	2.62%
Domestic Equities	22.00%	4.60%
Real Estate	13.00%	3.27%
Private Equity	15.00%	7.53%
International Equities	21.00%	5.51%
Risk Parity	2.00%	4.37%
Other Investments	5.00%	3.27%
Total	100.00%	

Asset Class	Target Allocation for 2021	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	24.00%	1.03%
Domestic Equities	21.00%	3.78%
Real Estate	11.00%	3.66%
Private Equity	12.00%	7.43%
International Equities	23.00%	4.88%
Risk Parity	5.00%	2.92%
Other Investments	4.00%	2.85%
Total	100.00%	

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

7. Defined Benefit Pension Plan (Continued)

Discount Rate The total pension liability was calculated using the discount rate of 6.90 percent for 2023 and 2022. 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 (6.90 percent for 2023 and 2022). 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 6.90 percent for 2023 and 2022, 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 (5.90 percent), or one percentage point higher (7.90 percent) than the current rate.

2023:	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Authority's proportionate share of the net pension liability (asset)			
- Traditional Pension Plan	\$189,538,769	\$126,530,701	\$74,119,296
- Combined Plan	(\$436,645)	(\$836,688)	(\$1,153,736)
- Member-Directed Plan	(\$19,191)	(\$30,015)	(\$38,382)

2022:	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Authority's proportionate share of the net pension liability (asset)			
- Traditional Pension Plan	\$ 87,638,312	\$ 33,239,844	(\$12,026,915)
- Combined Plan	(\$1,075,669)	(\$1,441,562)	(\$1,726,925)
- Member-Directed Plan	(\$58,497)	(\$66,380)	(\$73,121)

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

8. 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 - in 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.

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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

8. Postemployment Benefits (Continued)

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 2023 and 2022, 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 2023. 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 2023 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 2023.

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, 2021, rolled forward to the measurement date of December 31, 2022, and December 31, 2022, rolled forward to the measurement date of December 31, 2023, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

8. Postemployment Benefits (Continued)

The following is information related to the proportionate share and OPEB expense:

	<u>2023</u>	<u>2022</u>
Proportion of the Net OPEB Liability:		
Current Measurement Date	0.424500%	0.380962%
Prior Measurement Date	<u>0.380962%</u>	<u>0.360500%</u>
Change in Proportionate Share	<u>0.043538%</u>	<u>0.020462%</u>
Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,676,554	(\$11,932,313)
OPEB Expense	(\$3,939,153)	(\$9,218,512)

At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Net difference between projected and actual earnings on OPEB plan investments	\$5,315,730
Change in assumptions	2,614,251
Change in proportionate share	146,362
Total Deferred Outflows of Resources	\$8,076,343
Deferred Inflows of Resources	
Net difference between expected and actual experience	\$ 667,637
Change in assumptions	215,110
Total Deferred Inflows of Resources	\$ 882,747

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

8. Postemployment Benefits (Continued)

At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Change in proportionate share	\$ 974,077
Total Deferred Outflows of Resources	\$ 974,077
Deferred Inflows of Resources	
Net difference between expected and actual experience	\$ 1,809,950
Net difference between projected and actual earnings on OPEB plan investments	5,688,486
Change in assumptions	4,830,065
Total Deferred Inflows of Resources	\$12,328,501

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, 2024.

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>
2024	\$ 1,013,489
2025	1,954,550
2026	1,657,617
2027	<u>2,567,940</u>
Total	<u>\$ 7,193,596</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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

8. Postemployment Benefits (Continued)

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, 2021, rolled forward to the measurement date of December 31, 2022, and a 2020 valuation rolled forward to 2021. 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>2022</u>	<u>2021</u>
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation
Single Discount Rate:		
Current measurement date	5.22 percent	6.00 percent
Prior Measurement date	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	4.05 percent	1.84 percent
Health Care Cost Trend Rate	5.50 percent, initial 3.50 percent, ultimate in 2036	5.50 percent, initial 3.50 percent, ultimate in 2034
Actuarial Cost Method	Individual entry age	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

A single discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6.00%. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. 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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

8. Postemployment Benefits (Continued)

Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through the year 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

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 2022 and 2021 and the long-term expected real rates of return:

<u>Asset Class</u>	2022		2021	
	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00%	2.56%	34.00%	0.91%
Domestic Equities	26.00%	4.60%	25.00%	3.78%
REITs	7.00%	4.70%	7.00%	3.71%
International Equities	25.00%	5.51%	25.00%	4.88%
Risk Parity	2.00%	4.37%	2.00%	2.92%
Other Investments	<u>6.00%</u>	1.84%	<u>7.00%</u>	1.93%
Total	<u>100.00%</u>		<u>100.00%</u>	

During 2022, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 15.6% for 2022.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2023 and 2022

8. Postemployment Benefits (Continued)

The following table presents the net OPEB liability or asset calculated using the single discount rate of 5.22% as of December 31, 2022, and the expected net OPEB liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

2023:	1% Decrease (4.22%)	Current Discount Rate (5.22%)	1% Increase (6.22%)
Authority's proportionate share of the net OPEB liability (asset)	\$9,109,770	\$2,676,554	\$(2,631,900)

The following table presents the net OPEB liability or asset calculated using the single discount rate of 6.00% as of December 31, 2021, and the expected net OPEB liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

2022:	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (4.00%)
Authority's proportionate share of the net OPEB liability (asset)	\$(7,017,320)	\$(11,932,313)	\$(16,011,833)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability (Asset) 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 (asset) calculated using the assumed trend rates, and the expected net OPEB liability (asset) 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.

2023:		Health Care Cost Trend Rate Assumption	
	1% Decrease		1% Increase
Authority's proportionate share of the net OPEB liability (asset)	\$ 2,508,795	\$ 2,676,554	\$ 2,865,375

2022:		Health Care Cost Trend Rate Assumption	
	1% Decrease		1% Increase
Authority's proportionate share of the net OPEB liability (asset)	(\$12,061,257)	(\$11,932,313)	(\$11,779,345)

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

8. Postemployment Benefits (Continued)

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 2023 is 5.50% (8.50% in 2022). 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.

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, 2023 and 2022.

Other Benefits Provided

In addition to the other postemployment benefits provided by OPERS, SORTA also provides a \$2,500 life insurance benefit to each retired hourly employee.

The life insurance benefits are provided through group insurance arrangements which are funded by SORTA through payment of monthly insurance premiums. As of December 31, 2023, 507 individuals were eligible to receive life insurance benefits.

On its Statements of Net Position as of December 31, 2023 and 2022, SORTA has recorded an accrued liability for life insurance benefits of \$787,602 and \$1,282,645, 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:

	<u>2023</u>	<u>2022</u>
Future annual increases in life insurance premiums	3.40%	6.50%
Remaining life expectancy* - Life	12.9 yrs.	13.3 yrs.
Interest factor	4.30%	4.20%

*Based on U.S. National Center for Health Statistics, Vital Statistics of the U.S. 2021 (most recent available).

The total provision recognized by the Authority for postemployment benefits not provided under OPERS was approximately (\$495,000) and (\$515,000) for the years ended December 31, 2023 and 2022, respectively.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

9. Risk Management

SORTA is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; cyber-attacks and natural disasters. 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.

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, \$550,000 through December 31, 2020, and \$750,000 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. Effective December 1, 2021, the Authority commenced participation in the Ohio Transit Risk Pool (OTRP) related to its public liability insurance. OTRP retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by excess insurance and reinsurance contracts. OTRP's per-occurrence retention for liability claims (including auto liability, public officials' liability, and general liability) was \$2,000,000. OTRP's per-occurrence retention for crime and fidelity coverage was \$100,000. For each per-occurrence claim within OTRP's self-insured retention, the Authority is charged a deductible. For 2021, Authority's liability deductible stayed at \$1,000,000 and had a \$1,000 deductible for crime and fidelity. Per occurrence, reinsurance coverage is maintained by OTRP equal to \$10,000,000 for qualified casualty losses. Any underfunding of the plan's liabilities is shared by the members on a pro rata basis based on the amount contributed by each member for the given loss year. Each member's contribution is determined by pool contribution factors comprised of population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses, along with their selected deductible.

On January 1, 2017, the Authority became self-funded for health insurance. In 2023 and 2022, the plan assumed zero specific stop loss in both years, and a \$300,000 stop loss for the group in both years.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

9. Risk Management (Continued)

The changes in the liabilities for self-insured risks for the years ended December 31, 2023, 2022 and 2021 are as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>Public</u> <u>Liability/</u> <u>Property</u> <u>Damage</u>	<u>Health/</u> <u>Dental</u> <u>Insurance</u>	<u>Total</u>
Balance, January 1, 2021	\$ 4,692,921	\$ 4,719,885	\$ 864,638	\$ 10,277,444
Claims, net of changes in estimates	393,740	10,334,203	13,477,092	24,205,035
Payments	<u>(833,439)</u>	<u>(11,968,537)</u>	<u>(13,295,014)</u>	<u>(26,096,990)</u>
Balance, December 31, 2021	4,253,222	3,085,551	1,046,716	8,385,489
Claims, net of changes in estimates	567,070	(1,848,917)	12,160,007	10,878,160
Payments	<u>(671,520)</u>	<u>(67,735)</u>	<u>(12,106,023)</u>	<u>(12,845,278)</u>
Balance, December 31, 2022	4,148,772	1,168,899	1,100,700	6,418,371
Claims, net of changes in estimates	946,662	2,656,327	14,837,951	18,440,939
Payments	<u>(926,520)</u>	<u>(1,675,985)</u>	<u>(14,633,551)</u>	<u>(17,236,055)</u>
Balance, December 31, 2023	<u>\$ 4,168,914</u>	<u>\$ 2,149,241</u>	<u>\$ 1,305,100</u>	<u>\$ 7,623,255</u>

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

10. Contingencies and Commitments

a. Litigation and Claims

It is the Authority's policy, within certain limits (see Note 9), to act as self-insurer for certain insurable risks consisting primarily of public liability, property damage, health insurance and workers' compensation. As of December 31, 2023, 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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

10. Contingencies and Commitments (Continued)**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, 2023, 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 25 Metro buses during 2024 at a cost of approximately \$21.9 million, of which Federal grant funding is expected to pay for approximately \$16.0 million.

11. Leases**a. Lessor Activity**

SORTA, as lessor, has leased office space. The office space lease terminated at the end of 2023. Lease revenue and interest revenue for 2023 were \$9,218, and \$663, respectively. Lease revenue and interest revenue for 2022 were \$48,556 and \$761, respectively.

b. Lessee/Subscriber Activity

On December 31, 2023, SORTA recorded four lease agreements for equipment and building use and two subscription-based information technology agreements (SBITAs). The remaining terms on the leases and subscriptions range from 3 to 12 years. The calculated interest rates used a range between .64% and 3.39% depending on the length of the lease and subscription.

On December 31, 2023, the value of the lease liability was \$7,784,319. Associated interest expense for 2023 was \$117,403. On December 31, 2022, the value of the lease liability was \$8,335,724. Associated interest expense for 2022 was \$121,324.

On December 31, 2023, the value of the SBITA liability was \$337,310, with an additional accrued interest liability of \$3,543. Associated interest expense for 2023 was \$18,735. On December 31, 2022, the value of the SBITA liability was \$621,456, with an additional accrued interest liability of \$4,271. Associated interest expense for 2022 was \$11,991.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

11. Leases (Continued)

Principal and interest payments to maturity as of December 31, 2023, are as follows:

Year	Leases			SBITAs		
	Interest	Principal	Total	Interest	Principal	Total
2024	\$ 108,694	\$ 569,905	\$ 678,599	\$ 10,562	\$ 105,105	\$ 115,667
2025	100,590	587,819	688,409	6,937	112,468	119,405
2026	92,236	599,116	691,352	3,058	119,737	122,795
2027	83,706	606,326	690,032	-	-	-
2028	74,938	625,191	700,129	-	-	-
2029 - 2033	238,517	3,196,083	3,434,600	-	-	-
2033 - 2036	27,797	1,599,879	1,627,677	-	-	-
Total	\$ 726,478	\$7,784,319	\$8,510,797	\$ 20,557	\$ 337,310	\$ 357,867

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 2023 and 2022, 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.

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, 2023 and 2022, gains of \$842,810 (\$.30 per gallon) and \$4,996,483 (\$1.96 per gallon) respectively, were recognized as a decrease in diesel fuel expense. On December 31, 2023, the remaining open contracts had unrealized losses of \$168,277 while December 31, 2022, had unrealized gains of \$1,190,923. 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.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

13. Everybody Rides Metro

In 2006, the Authority formed “Everybody Rides Metro” (ERM), a charitable foundation authorized under section 501(c)3 of the Internal Revenue Code and registered in Ohio and Kentucky. The foundation was formed to provide transportation fare subsidies to poor or disabled individuals by underwriting fares. The revenues of ERM are derived from grants, donations and a monthly subsidy from SORTA. The foundation meets the criteria for a “discretely presented component unit” as defined in GASB Statement No. 14 “The Financial Reporting Entity”. After a five-year period of inactivity, ERM was able to resume operations during 2021. However, since ERM’s total assets and liabilities as of December 31, 2023 and 2022, and revenue and expenses for the years then ended are immaterial to the Authority’s basic financial statements, ERM financial information is not included as a discretely presented component unit in the Authority’s basic financial statements.

14. Subsequent Events

In 2024, SORTA and the Amalgamated Transit Union Local 627 continue contract negotiations as the current contract expired October 31, 2023.

Litigation: SORTA has been named as a defendant in various legal proceedings arising in the normal course of operations. Although the ultimate outcome of these matters cannot be presently determined, it is the opinion of management of SORTA that resolution of these matters will not have a material adverse impact on the financial statements.

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY-
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – OPERS TRADITIONAL PLAN
 DEFINED BENEFIT PENSION PLAN
 LAST TEN YEARS (1)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Liability	0.428336%	0.382049%	0.361138%	0.343881%	0.347693%	0.345032%	0.355328%	0.351326%	0.354394%	0.354394%
Authority's Proportionate Share of the Net Pension Liability	\$126,530,701	\$33,239,844	\$53,476,710	\$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	\$64,806,979	\$56,881,507	\$50,861,671	\$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	195.24%	58.44%	105.14%	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		75.74%	92.62%	86.88%	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.

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION ASSET –
 OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM – OPERS COMBINED PLAN
 DEFINED BENEFIT PENSION PLAN
 LAST TEN YEARS (1)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's Proportion of the Net Pension Asset	0.354996%	0.365874%	0.368807%	0.352314%	0.362772%	0.315025%	0.374267%	0.33512%	0.333761%	0.333761%
Authority's Proportionate Share of the Net Pension Asset	\$ (836,688)	\$ (1,441,562)	\$ 1,064,610	\$ 734,660	\$ 405,661	\$ 428,851	\$ 208,305	\$ 163,077	\$ 128,506	\$ 35,022
Authority's Covered Payroll	\$ 1,599,243	\$ 1,706,479	\$ 1,625,329	\$ 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	-52.32%	-84.48%	65.50%	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		137.14%	169.86%	157.67%	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.

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 – OPERS TRADITIONAL PLAN
 DEFINED BENEFIT PENSION PLAN
 LAST TEN YEARS (1)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 10,380,056	\$ 9,072,977	\$ 7,963,411	\$ 7,120,634	\$ 6,772,314	\$ 6,587,461	\$ 5,928,590	\$ 5,514,469	\$ 6,118,280	\$ 6,082,807
Contributions in Relation to the Contractually Required Contributic	(10,380,056)	(9,072,977)	(7,963,411)	(7,120,634)	(6,772,314)	(6,587,461)	(5,928,590)	(5,514,469)	(6,118,280)	(6,082,807)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 74,143,257	\$ 64,806,979	\$ 56,881,507	\$ 50,861,671	\$ 48,373,671	\$ 47,053,297	\$ 45,604,538	\$ 45,953,908	\$ 50,985,667	\$ 50,690,058
Contributions as a Percentage of Covered Payroll	14%	14%	14%	14%	14%	14%	13%	12%	12%	12%

(1) Information is required to be presented for 10 years.

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 – OPERS COMBINED PLAN
 DEFINED BENEFIT PENSION PLAN
 LAST TEN YEARS (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 219,319	\$ 223,894	\$ 238,907	\$ 227,546	\$ 219,567	\$ 204,251	\$ 167,723	\$ 174,822	\$ 169,836	\$ 163,655
Contributions in Relation to the Contractually Required Contribution	<u>(219,319)</u>	<u>(223,894)</u>	<u>(238,907)</u>	<u>(227,546)</u>	<u>(219,567)</u>	<u>(204,251)</u>	<u>(167,723)</u>	<u>(174,822)</u>	<u>(169,836)</u>	<u>(163,655)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$ 1,566,564	\$ 1,599,243	\$ 1,706,479	\$ 1,625,329	\$ 1,568,336	\$ 1,458,932	\$ 1,290,177	\$ 1,456,850	\$ 1,415,300	\$ 1,363,792
Contributions as a Percentage of Covered Payroll	14%	14%	14%	14%	14%	14%	13%	12%	12%	12%

(1) Information is required to be presented for 10 years.

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 – OPEB TRADITIONAL AND COMBINED PLANS
 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
 LAST SEVEN YEARS (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's Proportion of the Net OPEB Liability	0.424500%	0.380962%	0.360500%	0.342849%	0.346368%	0.341613%	0.000000%
Authority's Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,676,554	\$ (11,932,313)	\$ (6,415,827)	\$ 47,356,353	\$ 45,158,211	\$ 37,096,623	\$ 44,699,416
Authority's Covered Payroll	\$ 66,406,222	\$ 58,587,986	\$ 52,487,000	\$ 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	4.03%	(20.37%)	(12.22%)	94.82%	93.09%	79.11%	94.28%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		94.79%	128.23%	115.57%	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 – OPEB TRADITIONAL AND COMBINED PLANS
 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
 LAST EIGHT YEARS (1)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 468,947	\$ 948,215
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(468,947)</u>	<u>(948,215)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll	\$75,709,821	\$66,406,222	\$58,587,986	\$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%	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, 2023 and 2022

1. 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, 2022 and 2021 actuarial valuation for the OPERS Pension—Traditional Plan was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2022	2021
Wage Inflation	2.75%	2.75%
Future Salary Increases, Including Inflation	2.75% – 10.75%	2.75% – 10.75%
Cost-of-Living Adjustment	3% Simple	3% Simple
Investment Rate of Return	6.90%	6.90%
Actuarial Cost Method	Individual entry age	Individual entry age

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

2. 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, 2022 and 2021 actuarial valuation for the OPERS Pension—Combined Plan was determined using the following actuarial assumptions, applied to all periods included in the measurement:

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
As of December 31, 2023 and 2022

2. Changes in Assumptions — OPERS Pension — Combined Plan (Continued)

	2022	2021
Wage Inflation	2.75%	3.25%
Future Salary Increases, Including Inflation	2.75% - 8.25%	2.75% - 8.25%
Cost-of-Living Adjustment	3% Simple	3% Simple
Investment Rate of Return	6.90%	6.90%
Actuarial Cost Method	Individual entry age	Individual entry age

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, 2021, rolled forward to the measurement date of December 31, 2022, and a 2020 valuation rolled forward to 2021. 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:

	2022	2021
Wage Inflation	2.75 percent	2.75 percent
Projected Salary Increases, including inflation	2.75 to 10.75 percent including wage inflation	2.75 to 10.75 percent including wage inflation
Single Discount Rate:		
Current measurement date	5.22 percent	6.00 percent
Prior Measurement date	6.00 percent	6.00 percent
Investment Rate of Return	6.00 percent	6.00 percent
Municipal Bond Rate	4.05 percent	1.84 percent
Health Care Cost Trend Rate	5.50 percent, initial 3.50 percent, ultimate in 2036	5.50 percent, initial 3.50 percent, ultimate in 2034
Actuarial Cost Method	Individual entry age	Individual entry age

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
As of December 31, 2023 and 2022

2. Changes in Assumptions — OPERS Pension — Combined Plan (Continued)

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET POSITION –
 BUDGET AND ACTUAL (GAAP BASIS)
 For Fiscal Year Ended December 31, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Increase (Decrease)</u>
Operating revenues	\$ 15,064,954	\$ 16,884,927	\$ 1,819,973
Operating expenses other than depreciation and amortization:			
Labor	74,525,513	74,806,169	(280,656)
Fringe benefits	35,675,623	33,678,049	1,997,574
Materials and supplies consumed	16,945,335	17,362,514	(417,179)
Services	12,861,779	8,247,905	4,613,874
Grant pass-through-FRA	-	3,502,264	(3,502,264)
Utilities	2,663,587	2,400,709	262,878
Casualty and liability expense (revenue)	2,900,000	3,139,759	(239,759)
Taxes	1,316,695	1,347,201	(30,506)
Leases and rentals	446,064	441,967	4,097
Miscellaneous	5,464,654	5,223,378	241,276
Infrastructure program payments	-	9,322,000	(9,322,000)
Pension and OPEB (revenue)	-	9,557,821	(9,557,821)
Total	<u>152,799,250</u>	<u>169,029,736</u>	<u>(16,230,486)</u>
Depreciation and amortization	<u>16,722,219</u>	<u>16,722,219</u>	<u>-</u>
Total operating expenses	<u>169,521,469</u>	<u>185,751,955</u>	<u>(16,230,486)</u>
Operating loss	<u>(154,456,515)</u>	<u>(168,867,028)</u>	<u>(14,410,513)</u>
Non-operating revenues (expenses)			
Sales and use tax revenue	117,000,000	141,710,015	24,710,015
Federal maintenance grants and reimbursements	58,500,000	68,379,052	9,879,052
State maintenance grants, reimbursements and special fare assistance	1,667,439	2,319,937	652,498
Local operating grants and special fare assistance	1,617,213	66,690	(1,550,523)
Investment income-net	391,506	11,577,966	11,186,460
Decrease in fair value of investments	-	3,256,527	3,256,527
Non-transportation revenue	233,237	754,882	521,645
Total	<u>179,409,395</u>	<u>228,065,069</u>	<u>48,655,674</u>
Net income (loss) before capital grant activity	<u>24,952,880</u>	<u>59,198,041</u>	<u>34,245,161</u>
Capital grant revenue	<u>-</u>	<u>19,956,106</u>	<u>19,956,106</u>
Increase (decrease) in net position during the year	<u>24,952,880</u>	<u>79,154,147</u>	<u>54,201,267</u>
Net position, beginning of year	<u>287,158,486</u>	<u>287,158,486</u>	<u>-</u>
Net position, end of year	<u>\$ 312,111,366</u>	<u>\$ 366,312,633</u>	<u>\$ 54,201,267</u>

STATISTICAL SECTION

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
STATISTICAL SECTION

This part of the Southwest Ohio Regional Transit Authority’s Annual Comprehensive 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	73-80
<p style="margin-left: 20px;">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	81
<p style="margin-left: 20px;">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	82-83
<p style="margin-left: 20px;">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	84-90
<p style="margin-left: 20px;">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 Annual Comprehensive Financial Reports for the relevant year.

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NET POSITION AND CHANGES IN NET POSITION (CONTINUED)
LAST TEN YEARS
(dollars in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating revenues										
Passenger fares for transit service	\$ 22,904	\$ 21,859	\$ 21,220	\$ 20,623	\$ 20,151	\$ 21,210	\$ 11,100	\$ 11,500	\$ 14,448	\$ 15,400
Special transit fares	817	871	921	982	953	935	413	500	622	732
Auxiliary transportation revenue	540	666	907	991	1,049	916	426	529	677	752
Total operating revenues	24,262	23,396	23,048	22,596	22,153	23,061	11,939	12,529	15,747	16,885
Non-operating revenues										
Income Tax-Transit Fund	44,417	47,340	50,242	50,535	54,759	56,104	60,380	9,480	(416)	-
Sales and use tax revenue	-	-	-	-	-	-	33,464	134,772	141,872	141,710
Federal maintenance grants and reimbursements	17,193	14,764	15,325	15,401	15,204	14,400	47,068	24,206	71,867	68,379
Federal grant pass-through	21,983	13,545	3,833	-	-	-	-	-	-	-
State maintenance grants and reimbursements and special fare assistance	784	790	780	767	780	5,105	2,716	4,104	3,473	2,320
Local operating grants and fare assistance	6,617	6,442	6,276	6,454	6,669	6,221	2,778	1,913	202	67
Investment income, net	107	118	151	327	714	754	176	87	2,735	11,578
Increase (decrease) in fair value of investments	5	12	4	(6)	3	(2)	-	(126)	(2,428)	3,257
Non-transportation revenue	476	1,114	2,397	3,841	3,618	3,938	437	823	1,024	755
Total non-operating revenues	91,581	84,126	79,009	77,318	81,747	86,520	147,019	175,259	218,329	228,065
Total Revenues	115,843	107,522	102,057	99,914	103,900	109,581	158,958	187,788	234,076	244,950
Operating expenses										
Labor	42,660	42,947	43,689	44,251	46,317	47,601	51,230	56,404	64,435	74,806
Fringe benefits	21,986	19,756	25,835	35,824	29,779	43,191	26,639	30,858	34,512	33,678
Materials and supplies consumed	14,954	14,677	12,735	12,179	12,069	11,802	10,674	11,889	13,551	17,363
Services	3,799	4,553	6,537	5,309	6,550	5,512	5,073	7,312	7,074	8,248
Utilities	1,519	1,435	1,108	1,201	1,212	1,389	2,162	1,809	2,420	2,401
Casualty and liability	(19)	14	788	844	1,671	4,751	69	11,273	(53)	3,140
Taxes	865	842	830	818	844	1,071	1,008	1,277	1,328	1,347
Purchased transportation services	5,424	6,131	7,768	9,277	9,785	10,283	49	-	-	-
Leases and rentals	647	596	613	654	671	578	727	546	568	442
Miscellaneous	790	652	758	768	738	1,010	916	3,647	3,311	5,223
Pension and OPEB expense (revenue)	-	-	-	-	-	-	8,165	(44,128)	(20,705)	9,558
Grant pass-through	21,983	13,545	3,833	-	-	-	-	-	-	3,502
Infrastructure program payments	-	-	-	-	-	-	-	-	803	9,322
Depreciation and amortization	14,191	14,783	-	15,249	14,147	14,691	15,843	16,519	15,670	16,722
Total operating expenses	128,797	119,930	104,494	126,374	123,783	141,879	122,555	97,406	122,915	185,752
Non-operating expenses	1,420	1,117	1,061	1,026	1,011	1,143	1,559	-	-	-
Total Expenses	130,217	121,047	105,555	127,400	124,794	143,022	124,114	97,406	122,915	185,752

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NET POSITION AND CHANGES IN NET POSITION (CONCLUDED)
LAST TEN YEARS
(dollars in thousands)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Capital grant revenue	\$ 3,836	\$ 20,804	\$ 12,321	\$ 1,327	\$ 4,313	\$ 31,558	\$ 16,980	\$ 24,709	\$ 21,841	\$ 19,956
Increase (decrease) in net position	\$ (10,538)	\$ 7,278	\$ 8,823	\$ (26,159)	\$ (16,581)	\$ (1,883)	\$ 51,824	\$ 115,091	\$ 133,003	\$ 79,154
Net position at year-end										
Net investment in capital assets	\$ 103,449	\$ 109,815	\$ 106,713	\$ 76,535	\$ 67,422	\$ 93,763	\$ 99,144	\$ 109,869	\$ 100,558	\$ 124,456
Restricted	7,098	494	312	555	2,697	406	12,101	48,409	89,102	122,990
Unrestricted	(6,906)	(34,886)	(38,168)	(34,392)	(78,503)	(104,438)	(69,690)	(4,122)	97,499	118,867
Total net position	\$ 103,641	\$ 75,423	\$ 68,857	\$ 42,698	\$ (8,384)	\$ (10,269)	\$ 41,555	\$ 154,156	\$ 287,158	\$ 366,313

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: The 2020 net position reflects a \$2,490 adjustment related to the adoption of GASB 2019-1.

Note: The 2021 net position reflects a \$211 adjustment related to the adoption of GASB 96.

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

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
REVENUES BY SOURCE
LAST TEN YEARS
(dollars in thousands)

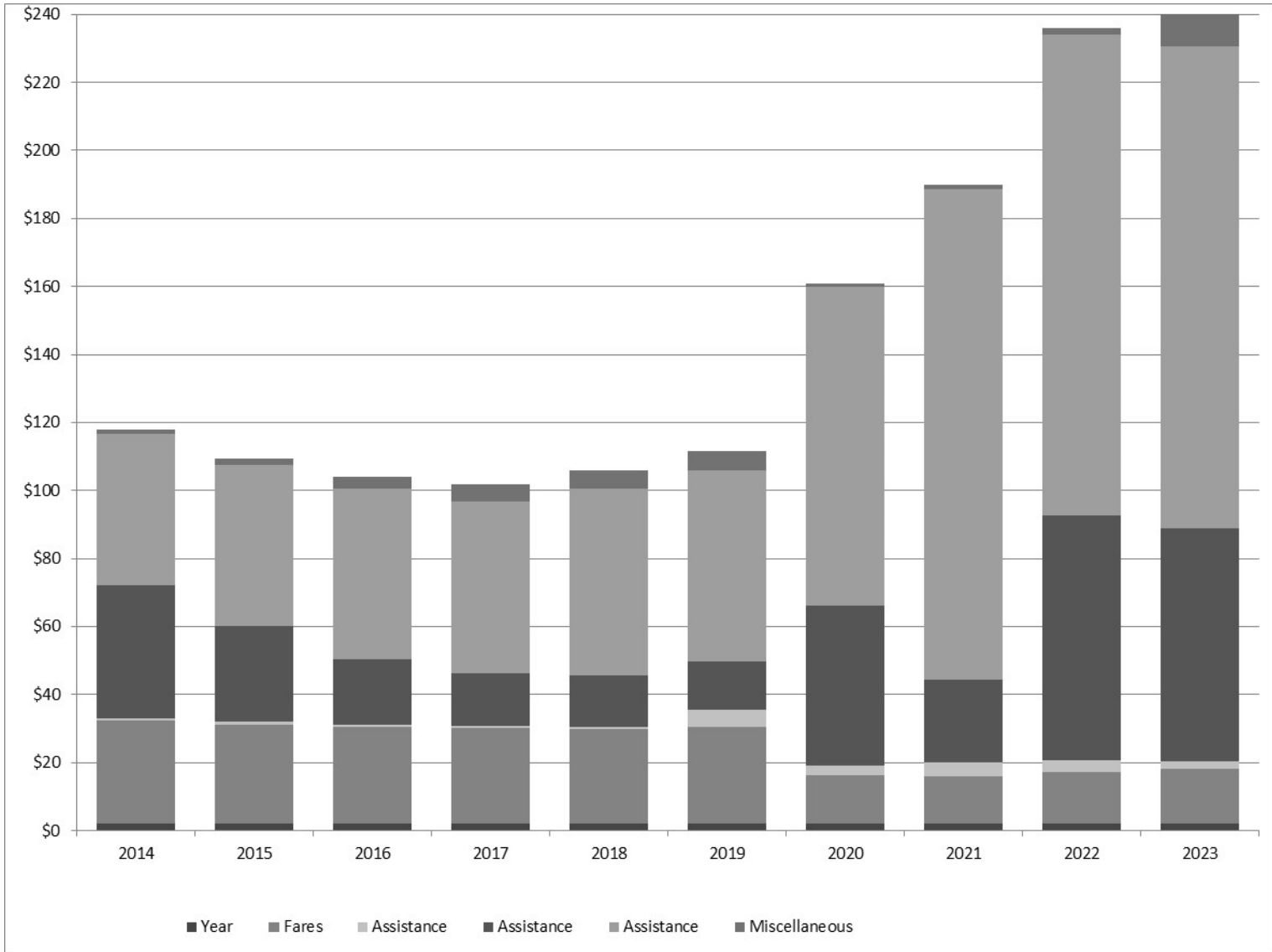
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Revenues										
Passenger fares for transit service (1)	\$ 29,522	\$ 28,301	\$ 27,496	\$ 27,077	\$ 26,820	\$ 27,431	\$ 13,878	\$ 13,413	\$ 14,650	\$ 15,467
Special transit fares	817	871	921	982	953	935	413	500	622	732
Auxiliary transportation revenue	540	666	907	991	1,049	916	426	529	677	752
Total operating revenues	30,879	29,838	29,325	29,050	28,822	29,282	14,717	14,442	15,949	16,952
Non-Operating Revenues										
Operating assistance from the City of Cincinnati										
Income Tax-Transit Fund	44,417	47,340	50,242	50,535	54,759	56,104	60,380	9,480	(416)	-
Sales and use tax revenue	-	-	-	-	-	-	33,464	134,772	141,872	141,710
Federal grants and reimbursements (1)	17,193	14,764	15,325	15,401	15,204	14,400	47,068	24,206	71,867	68,379
Federal grant pass-through: FRA	-	-	-	-	-	-	-	-	-	-
Federal grant pass-through: City of Cincinnati Streetcar	21,731	13,355	3,770	-	-	-	-	-	-	-
Federal grant pass-through: Everybody Rides Metro	252	190	63	-	-	-	-	-	-	-
State grants and reimbursements (1)	784	790	780	767	780	5,105	2,716	4,104	3,473	2,320
Local Operating Grants	-	-	-	-	-	-	-	-	202	-
Investment income	112	130	155	321	717	752	176	(39)	307	14,834
Non-transportation revenues	476	1,114	2,397	3,841	3,618	3,938	437	823	1,024	755
Total non-operating revenues	84,964	77,683	72,732	70,864	75,078	80,299	144,241	173,346	218,329	227,998
Total Revenues	\$115,843	\$107,521	\$102,057	\$ 99,914	\$103,900	\$109,581	\$158,958	\$187,788	\$234,278	\$244,950

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 (GRAPH PRESENTATION)
 LAST TEN YEARS
 (dollars in millions)



SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
REVENUES AND OPERATING ASSISTANCE – COMPARISON TO INDUSTRY TREND DATA
LAST TEN YEARS

TRANSPORTATION INDUSTRY (1):

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
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	29.5%	4.5%	34.0%	58.1%	7.9%	66.0%	100.0%
2020	*	*	*	*	*	*	*
2021	*	*	*	*	*	*	*
2022	*	*	*	*	*	*	*
2023	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY:

YEAR	OPERATING AND OTHER REVENUE			OPERATING ASSISTANCE			TOTAL REVENUES
	PASSENGER	OTHER (2)	TOTAL	STATE & LOCAL (3)	FEDERAL	TOTAL	
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%
2021	7.4%	0.7%	8.1%	79.0%	12.9%	91.9%	100.0%
2022	6.9%	0.9%	7.6%	61.8%	30.6%	92.4%	100.0%
2023	6.8%	6.7%	13.5%	58.7%	27.8%	86.5%	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

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Operating Expenses Other Than Depreciation and Amortization:										
Labor	\$ 42,660	\$ 42,947	\$ 43,689	\$ 44,251	\$ 46,317	\$ 47,601	\$ 51,230	\$ 56,404	\$ 64,435	\$ 74,806
Fringe Benefits	21,986	19,756	25,835	35,824	29,779	43,191	26,639	30,858	34,512	33,678
Materials and supplies consumed	14,954	14,677	12,735	12,179	12,069	11,802	10,674	11,889	13,551	17,363
Services	3,799	4,553	6,537	5,309	6,550	5,512	5,073	7,312	7,074	8,248
Utilities	1,519	1,435	1,108	1,201	1,212	1,389	2,162	1,809	2,420	2,401
Casualty and liability	(19)	14	788	844	1,671	4,751	69	11,273	(53)	3,140
Taxes	865	842	830	818	844	1,071	1,008	1,277	1,328	1,347
Purchased transportation services	5,424	6,131	7,768	9,277	9,785	10,283	49	-	-	-
Leases and rentals	647	596	613	654	671	578	727	546	568	442
Miscellaneous	790	652	758	768	738	1,010	916	3,647	3,311	5,223
Infrastructure program payments	-	-	-	-	-	-	-	-	803	9,322
Pension and OPEB expense (revenue)	-	-	-	-	-	-	8,165	(44,128)	(20,705)	9,558
Total	92,624	91,602	100,661	111,125	109,636	127,188	106,712	80,887	107,244	165,528
Federal grant pass-through: City of Cincinnati Streetcar	21,731	13,355	3,770	-	-	-	-	-	-	-
Federal grant pass-through: Everybody Rides Metro	252	190	63	-	-	-	-	-	-	-
Federal grant pass-through: FRA	-	-	-	-	-	-	-	-	-	3,502
Depreciation and Amortization	14,191	14,783	15,389	15,249	14,147	14,691	15,843	16,519	15,670	16,722
Total Operating Expenses	\$128,798	\$119,930	\$119,883	\$126,374	\$123,783	\$141,879	\$122,555	\$ 97,406	\$122,914	\$185,752

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.

STATISTICAL SECTION

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
OPERATING EXPENSES PER VEHICLE HOUR
LAST TEN YEARS



SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
OPERATING EXPENSES – COMPARISON TO INDUSTRY TREND DATA
LAST TEN YEARS

TRANSPORTATION INDUSTRY (1):

<u>YEAR</u>	<u>LABOR AND FRINGES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>SERVICES</u>	<u>UTILITIES</u>	<u>CASUALTY AND LIABILITY</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES (2)</u>
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	61.0%	8.0%	9.0%	3.0%	3.0%	15.0%	1.0%	100.0%
2020	62.0%	8.0%	9.0%	3.0%	2.0%	15.0%	1.0%	100.0%
2021	62.0%	7.0%	10.0%	3.0%	3.0%	14.0%	1.0%	100.0%
2022	*	*	*	*	*	*	*	*
2023	*	*	*	*	*	*	*	*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY (3):

<u>YEAR</u>	<u>LABOR AND FRINGES</u>	<u>MATERIALS AND SUPPLIES</u>	<u>SERVICES</u>	<u>UTILITIES</u>	<u>CASUALTY AND LIABILITY</u>	<u>PURCHASED TRANSPORTATION</u>	<u>OTHER</u>	<u>TOTAL OPERATING EXPENSES (2)</u>
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	79.0%	10.8%	5.2%	2.2%	0.1%	0.0%	2.7%	100.0%
2021	69.8%	9.5%	5.8%	1.5%	9.0%	0.0%	4.4%	100.0%
2022	77.4%	10.6%	5.4%	1.9%	0.0%	0.0%	4.7%	100.0%
2023	68.0%	10.9%	5.2%	1.5%	2.0%	0.0%	12.4%	100.0%

* Information is not available

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Outstanding debt by type:										
Capital lease/SBITA obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ 8
Total outstanding debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9	\$ 8
Population - Hamilton County, Ohio (1) (2)	807	808	809	814	817	817	821	824	827	827
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: Capital Lease result of GASB 87/96

Source:

(1) Hamilton County Data Center 2021 and prior

(2) Bestplaces.net 2022 and forward

(3) U.S. Census Bureau , Quick Facts

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
DEMOGRAPHIC STATISTICS

<u>YEAR (1)</u>	<u>MEDIAN AGE</u>	<u>MEDIAN INCOME</u>	<u>YEAR</u>	<u>K-12 SCHOOL ENROLLMENT (2)</u>	<u>UNEMPLOYMENT RATE (3) (4)</u>	<u>POPULATION (5) (6)</u>
1960	30.3	\$5,483	2013	149,179	7.1%	804,520
1970	*	\$10,486	2014	134,943	5.3%	806,631
1980	30.0	\$10,673	2015	134,734	4.5%	807,598
1990	32.7	\$15,354	2016	134,786	4.3%	809,099
2000	35.5	\$24,053	2017	134,916	4.4%	813,822
2010	37.1	\$29,197	2018	*	4.1%	816,684
2020	36.8	\$32,732	2019	*	3.8%	817,473
			2020	*	7.7%	820,710
			2021	*	3.2%	823,557
			2022	*	4.4%	826,790
			2023			827,058

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 for 2017 and prior years*
- (4) OhioLMI.com. for 2021 and prior years*
- (5) <https://bestplaces.net> for current*
- (6) [Quickfacts.census.gov](https://quickfacts.census.gov). for 2021 and prior years*
- (7) <https://bestplaces.net> for current*

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 PRINCIPAL EMPLOYERS IN PRIMARY SERVICE AREA
 CALENDAR YEARS 2023 AND 2022

<u>2023</u>			
<u>Employer</u>	<u>Nature of Business</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Kroger Co.	National grocery retailer	20,000	4.9%
Cincinnati Children's Hospital Medical Center	Pediatric medical center	18,502	4.5%
Trihealth, Inc.	Health care system	12,096	2.9%
University of Cincinnati	Public university	11,141	2.7%
Procter & Gamble Co.	Consumer products company	11,000	2.7%
UC Health	Health care system	10,353	2.5%
GE Aerospace	Jet engines/components	9,816	2.4%
Mercy Health-Cincinnati	Health care system	7,500	1.8%
Fifth Third Bancorp	Banking and financial services	7,500	1.8%
Cincinnati Public Schools	Public School System	6,500	
	Total	114,408	27.8%
	Total County Employment:	411,900	

<u>2014</u>			
<u>Employer</u>	<u>Nature of Business</u>	<u>Employees</u>	<u>Percentage of Total County Employment</u>
Kroger Co.	National grocery retailer	20,948	5.4%
University of Cincinnati	Public university	15,378	4.2%
Cincinnati Children's Hospital Medical Center	Pediatric medical center	14,954	3.7%
Trihealth, Inc.	Health care system	11,400	3.2%
City of Cincinnati	Municipal government	11,156	2.9%
Procter & Gamble	Consumer products company	11,000	2.7%
UC Health	Health care system	10,000	2.4%
GE Aviation	Jet engines/components	8,670	2.0%
Mercy Health	Health care system	8,210	2.0%
Fifth Third Bancorp	Banking and Financial Services	6,815	2.0%
	Total	118,531	31.0%
	Total County Employment	382,500	

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
OPERATING STATISTICS
LAST TEN YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Vehicle Hours Operated (1)										
Motor bus	791,988	787,944	793,414	790,422	785,193	777,731	676,494	782,653	813,788	873,260
Demand responsive	104,948	109,880	114,106	116,291	119,912	121,708	70,526	80,776	95,324	106,904
Vehicle Revenue Hours (1)										
Motor bus	736,720	731,157	736,542	734,962	731,941	724,450	630,330	721,124	750,343	803,885
Demand responsive	84,275	88,198	92,111	94,096	97,140	98,619	54,807	63,622	76,271	84,893
Diesel Fuel Consumption (In Gallons) (1)	2,944,422	2,911,345	2,900,930	2,839,431	2,890,234	2,763,826	2,119,266	2,491,190	2,549,475	2,750,003
Fleet Requirements (During Peak Hours) (1)										
Motor bus	297	297	299	299	294	281	281	286	281	252
Demand responsive	48	48	48	48	48	48	48	40	40	40
Total Revenue Vehicles During Period (1)										
Motor bus	356	357	302	360	356	356	356	316	309	279
Demand responsive	48	56	44	56	56	56	56	56	56	56
Number of Full Time Employees (2) (3)	791	834	780	859	821	848	924	938	1,006	1,140

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 (CONTINUED)
 AS OF DECEMBER 31, 2023

SOUTHWEST OHIO REGIONAL TRANSIT

ACCESS

1801 Transpark Drive, Cincinnati, Ohio 45229

Building Total Square Footage **76,518**

Which includes:

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

Real Estate Acreage **5.65**

Sq. Ft. parking lot **41,430**

FOREST PARK, PARK AND RIDE

1160 Kemper Meadow Drive, Cincinnati, Ohio 45240

Real Estate Acreage **2.34**

Park and Ride Spaces **120**

OAKLEY TRANSIT CENTER

Intersection of Marburg and Ibsen
 Avenues, Cincinnati, Ohio 45209

Real Estate Acreage **0.41**

Park and Ride Spaces **10**

SILVERTON

7000 Montgomery Road, Cincinnati, Ohio 45236

Building Total Square Footage **3,237**

Which includes:

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

Real Estate Acreage **2.25**

Sq. Ft. parking lot **28,800**

Park and Ride Spaces **120**

NORTHSIDE TRANSIT CENTER

4041 Spring Grove Avenue, Cincinnati, Ohio 45223

Real Estate Acreage **1.88**

Park and Ride Spaces **10**

STATISTICAL SECTION

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 CAPITAL ASSET INFORMATION (CONCLUDED)
 AS OF DECEMBER 31, 2023

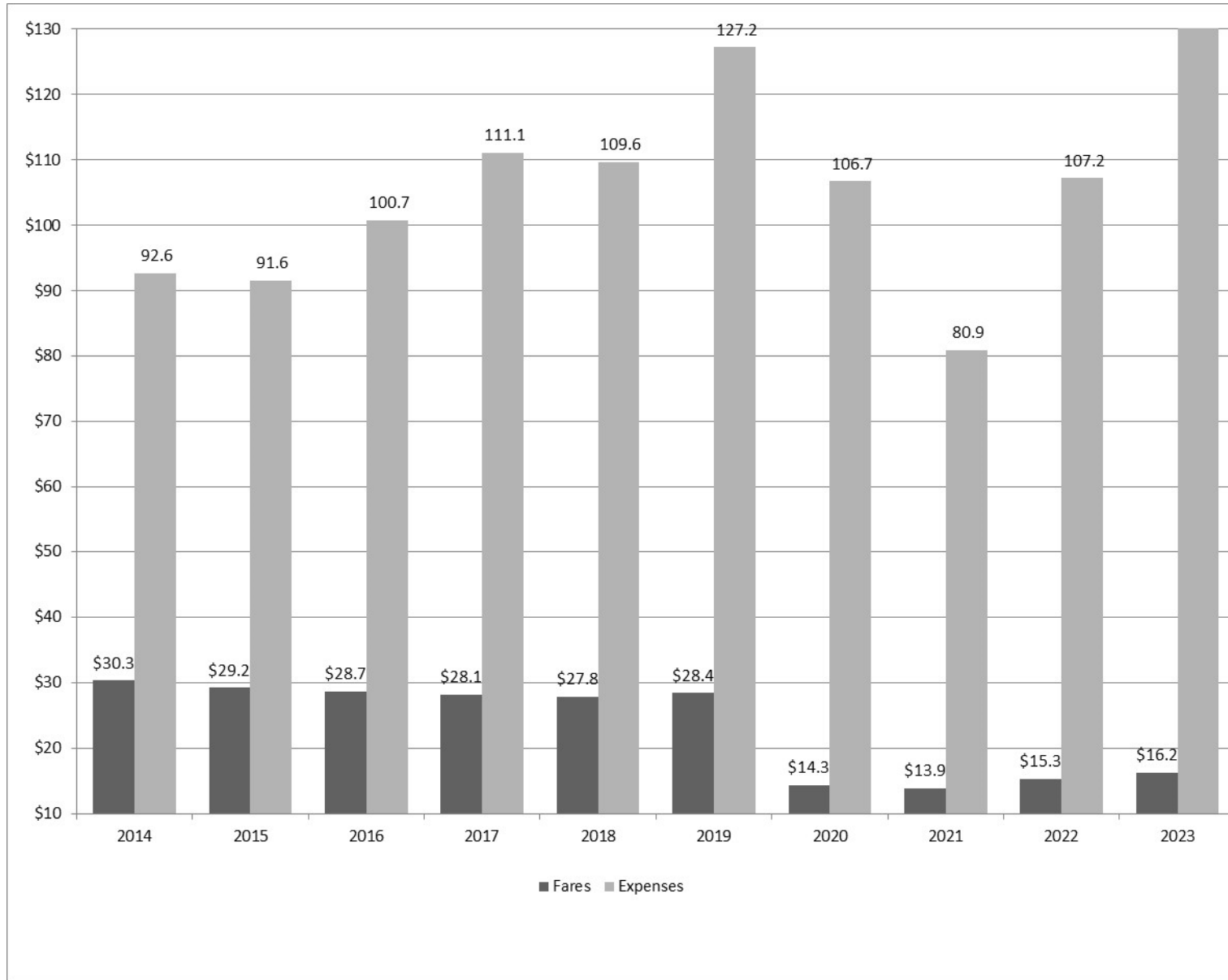
PARATRANSIT VEHICLES

<u>Quantity</u>	<u>Year</u>	<u>Manufacturer</u>
17	2013	Eldorado
14	2015	Eldorado
2	2016	Eldorado
11	2019	Ford
44	Total Paratransit Vehicles	

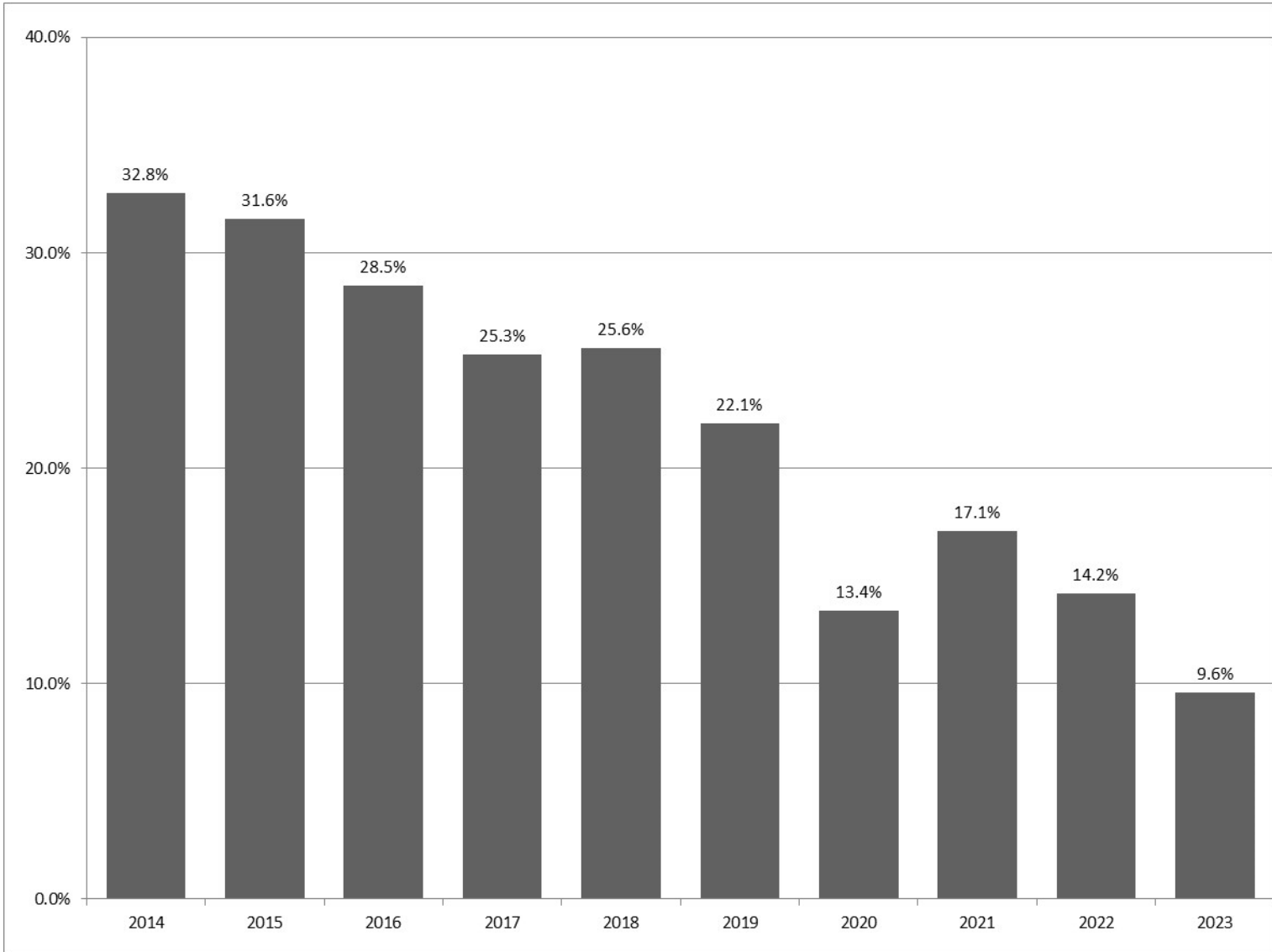
BUSES

<u>Quantity</u>	<u>Year</u>	<u>Manufacturer</u>
1	2008	New Flyer
1	2009	New Flyer
9	2011	Gillig
45	2012	New Flyer
33	2013	Gillig
37	2015	Gillig
22	2016	Gillig
23	2018	Gillig
41	2019	Gillig
29	2020	Gillig
31	2021	Gillig
25	2022	Gillig
5	2023	Gillig
302	Total Buses	

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
PASSENGER FARES VS. OPERATING EXPENSES
LAST TEN YEARS



SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
PASSENGER FARES RECOVERY RATIO
LAST TEN YEARS



SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
REVENUE RATES
LAST TEN YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Cash or Token Fares										
Zone 1 fare (3)	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 1.75	\$ 2.00	\$ 2.00	\$ 2.00
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	\$ 3.75	\$ 3.75	\$ 3.75
Day Pass Zone 1 fare (3)	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.00	\$ 4.00	\$ 4.00
Day Pass Zone 2 fare (3)	\$ 6.30	\$ 6.30	\$ 6.30	\$ 6.30	\$ 6.30	\$ 6.30	\$ 6.30	\$ 5.30	\$ 5.30	\$ 5.30
Day Pass Zone 3 fare (3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 7.50	\$ 7.50	\$ 7.50
Day Pass Metro/Tank Zone 1 (3)	N/A	N/A	N/A	N/A	N/A	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
Express Service (Monday-Friday)(Harrison)	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	N/A	N/A	N/A
Express Service(Monday-Friday)(Clermont County)	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75	\$ 3.75	N/A	N/A	N/A
Express Service (Monday-Friday) Zone 4 (3)	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	N/A	N/A	N/A
Express Service (Monday-Friday) Zone 5 (3)	\$ 4.25	\$ 4.25	\$ 4.25	\$ 4.25	\$ 4.25	\$ 4.25	\$ 4.25	N/A	N/A	N/A
Parking Meter shuttle (Monday-Friday)	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	N/A
Transfers	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	\$ 0.50	N/A	N/A	N/A
Access Zone 1 (1)	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.50	\$ 4.00	\$ 4.00	\$ 4.00
Access Zone 2 (1)	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	N/A	N/A	N/A
Monthly Passes										
MetroCard Zone 1 Pass	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 70.00	\$ 80.00	\$ 80.00	\$ 80.00
MetroCard Zone 2 Pass	\$ 106.00	\$ 106.00	\$ 106.00	\$ 106.00	\$ 106.00	\$ 106.00	\$ 106.00	\$ 106.00	\$ 106.00	\$ 106.00
MetroCard Zone 3 Pass	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 150.00	\$ 150.00	\$ 150.00
MetroCard Harrison Zone Pass	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	\$ 120.00	N/A	N/A	N/A
MetroCard Clermont Zone Pass	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	N/A	N/A	N/A
MetroCard Zone 4 Pass (Butler County)	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	\$ 140.00	N/A	N/A	N/A
MetroCard All Pass Zone 5 (Warren County and all zones)	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	\$ 170.00	N/A	N/A	N/A
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	\$ 40.00	\$ 40.00	\$ 40.00
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	\$ 1.00	\$ 1.00	\$ 1.00
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	\$ 1.85	\$ 1.85	\$ 1.85

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
 FULL-TIME EQUIVALENT EMPLOYEES AS OF YEAR END
 LAST TEN YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Vehicle Operations	496.50	528.00	503.50	541.00	521.00	546.00	537.00	529.00	569.00	573.00
Vehicle Maintenance	182.00	173.00	169.00	196.00	182.00	189.00	187.00	189.00	186.00	168.00
Non-Vehicle Maintenance	28.00	35.00	26.00	28.00	30.00	28.00	28.00	36.00	39.00	38.00
General Administration	86.50	100.00	81.00	88.00	82.00	75.00	72.00	84.00	109.00	238.00
Paratransit Service	<u>6.00</u>	<u>4.50</u>	<u>4.50</u>	<u>6.00</u>	<u>6.00</u>	<u>10.00</u>	<u>100.00</u>	<u>100.00</u>	<u>103.00</u>	<u>123.00</u>
 Total Employees	 <u>799.00</u>	 <u>840.50</u>	 <u>784.00</u>	 <u>859.00</u>	 <u>821.00</u>	 <u>848.00</u>	 <u>924.00</u>	 <u>938.00</u>	 <u>1,006.00</u>	 <u>1,140.00</u>

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, OHIO**

SINGLE AUDIT
Year Ended December 31, 2023

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
HAMILTON COUNTY, OHIO

SINGLE AUDIT
YEAR ENDED DECEMBER 31, 2023

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**INDEPENDENT AUDITOR'S 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 the Southwest Ohio Regional Transit Authority ("the Authority") as of and for the year ended December 31, 2023, 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 8, 2024.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on 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*.

The Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Columbus, Ohio
July 8, 2024

**INDEPENDENT AUDITOR'S 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's ("the Authority") compliance with the types of compliance requirements identified as subject to audit 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, 2023. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompany schedule findings and questioned costs as item 2023-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The Authority is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated July 8, 2024, 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.

Crowe LLP

Crowe LLP

Columbus, Ohio
July 8, 2024

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

Federal Grantor Agency/ Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-through Identifying Number	Total Federal Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Transportation:				
Federal Railroad Administration (FRA):				
Federal Railroad Cluster:				
Received directly from FTA:				
Consolidated Rail Infrastructure and Safety Improvements (CRISI)	20.325	N/A	\$ 3,728,728	\$ 3,502,264
Total Federal Railroad Cluster			<u>3,728,728</u>	<u>3,502,264</u>
Federal Transit Administration (FTA):				
Federal Transit Cluster:				
Received directly from FTA:				
COVID-19 Formula Grants	20.507	N/A	24,032,163	-
COVID-19 Formula Grants	20.507	N/A	28,500,000	-
Formula Grants	20.507	N/A	126,374	-
Formula Grants	20.507	N/A	15,846,889	-
Formula Grants	20.507	N/A	780,100	-
Formula Grants	20.507	N/A	275,291	-
Formula Grants	20.507	N/A	477,544	-
Total Federal Transit Cluster			<u>70,038,361</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 73,767,089</u>	<u>\$ 3,502,264</u>

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General:

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Authority. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements.

Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the 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). 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.

Basis of Accounting:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

De Minimis Cost Rate:

The Authority has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 - NON-CASH AND FEDERAL INSURANCE

There were no non-cash awards or Federal Insurance maintained in the current year.

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

Yes No

Identification of major federal programs:

Assistance Listing Number(s)
20.507, 20.525, & 20.526
20.325

Name of Federal Program or Cluster
Federal Transit Cluster
Consolidated Rail Infrastructure and Safety
Improvements (CRISI)

Dollar threshold used to distinguish between Type A and Type B programs:

\$2,213,013

Auditee qualified as low-risk auditee?

Yes No

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section II - Financial Statement Findings

Finding 2023-001 – Revenue Reporting – Material Weakness

Criteria:

According to Note 2.A to the Financial Statements, the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, which require the economic 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.

Additionally, GASB Implementation Guide 2019-1, Section 4.7 states in part:

"Paragraph 15 of Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, identifies expenditure-driven grant provisions to be a form of stipulation that "is considered an eligibility requirement...and affects the timing of recognition. That is, there is no award - ... the recipient has no asset (receivable) - until the recipient has met the provider's requirements by incurring costs in accordance with the provider's program." In other words, in the absence of an executed grant agreement before the end of the reporting period, the [entity] cannot establish that it has incurred allowable costs and, therefore, cannot establish the existence of an asset (a receivable); that is the case even when the [entity] has incurred costs that could be reimbursable once the grant agreement is executed. Assets and revenue should be recognized for allowable costs only after the grant agreement is executed."

Condition/Context:

Grant Revenue – During our testing of the SEFA and the reconciliation to federal grant revenues per the Statement of Revenues, Expenses, and Changes in Net Position, we identified approximately \$13.5 million of federal grant revenue and receivable recorded for a grant award that was not yet executed as of year-end. The award was properly excluded from the SEFA, however it should not have been recorded as a federal grant revenue. Additionally, we identified approximately \$0.4 million of expenditures that were properly recorded as federal grant revenue and receivable, but were improperly excluded from the Schedule of Expenditures of Federal Awards (SEFA).

Sales Tax Revenue – During our testing of sales tax revenue, we noted the sales tax revenue recorded on the general ledger was lower than the amount per the tax distribution reports obtained directly from Hamilton County by approximately \$7.1 million. Management noted they did not record the portion of the tax revenue and receivable that is restricted for use for infrastructure projects, which represents 25% of sales tax receipts.

Effect:

Grant Revenue – Without a proper system of internal control over the SEFA and grant revenue reporting, federal grant revenue and the corresponding receivable was overstated by approximately \$13.5 million. SEFA expenditures were understated by approximately \$0.4 million.

Tax Revenue – Sales tax revenue and the corresponding receivable was understated by approximately \$7.1 million.

Cause:

Management had not established a proper system of internal control over revenue reporting to prevent and detect errors in revenue recognition or errors on the SEFA.

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section II - Financial Statement Findings (Continued)

Finding 2023-001 – Revenue Reporting – Material Weakness (Continued)

Identification as a Repeat Finding:

N/A

Recommendation:

Grant Revenue – We recommend that the Authority establish a formal review process over the SEFA and grant revenue reporting to ensure amounts reported are complete and accurate. This review should include a detailed tie out between the SEFA expenditures and federal grant revenue recorded within the general ledger and to federal cash drawdowns.

Tax Revenue – We recommend that the Authority perform a reconciliation between sales tax revenue recorded on the general ledger and the distribution reports from the County. The reconciliation should be prepared and reviewed by two separate individuals for proper segregation of duties.

Views of Responsible Officials and Planned Corrective Actions:

Management agrees with the finding and has prepared a corrective action plan.

(Continued)

SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

Section III - Federal Award Findings

Finding 2023-002 – Consolidated Rail Infrastructure and Safety Improvements (CRISI) Reporting – Significant Deficiency

Criteria:

Reporting requirements are identified in Part III, Grant Management Terms and Conditions, of the award agreement with the Federal Railroad Administration. The Grantee will submit one completed progress report quarterly (totaling four annually) in the form/format provided by FRA. Additionally, the Grantee will submit the Federal Financial Report (Standard Form 425) on the same schedule as the required quarterly progress report. Finally, the Grantee will comply with the provisions of the Federal Funding Transparency and Accountability Act of 2006.

Condition/Context:

During our testing of internal controls over reporting, we noted the quarterly progress report and federal financial reports are prepared by the Project Grant Administrator, however there was no separate reviewer. Additionally, for the Federal Funding Accountability and Transparency Act, the submission is no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made. The award was obligated in May 2021; however, the submission did not occur until November 2023, therefore it did not occur timely.

Effect:

As there was no secondary review of quarterly reports, errors in reporting could go undetected.

Cause:

Management had not established a proper system of internal control over grant reporting to prevent and detect errors in reporting.

Identification as a Repeat Finding:

N/A

Recommendation:

We recommend that the quarterly reporting be prepared and reviewed by two separate individuals for proper segregation of duties. Additionally, we recommend that the Authority track reporting requirements and deadlines to ensure timely submission.

Views of Responsible Officials and Planned Corrective Actions:

Management agrees with the finding and has prepared a corrective action plan.

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OHIO AUDITOR OF STATE KEITH FABER



SOUTHWEST OHIO REGIONAL TRANSIT AUTHORITY

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 10/3/2024

65 East State 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