OHIO AUDITOR OF STATE
KEITH FABER

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY
DECEMBER 31, 2020

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OHIO AUDITOR OF STATE
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INDEPENDENT AUDITOR'S REPORT

Toledo Area Regional Transit Authority
Lucas County
1127 West Central Avenue
P.O. Box 792
Toledo, Ohio 43695-0792

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of Toledo Area Regional Transit Authority, Lucas County, Ohio (the Authority), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. We did not modify our opinion regarding this matter.

Other Matters

Prior Period Financial Statements Audited by a Predecessor Auditor

The financial statements of Toledo Area Regional Transit Authority, Lucas County, Ohio (the Authority), as of and for the year ended December 31, 2019, were audited by predecessor auditor whose report dated June 26, 2020, expressed an unmodified opinion on those statements

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

This schedule is management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2022, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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.

Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2022

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Management's Discussion and Analysis

As financial management of the Toledo Area Regional Transit Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2020 and 2019. This discussion and analysis is designed to assist the reader in focusing on the significant changes in the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights in 2020

- The Authority's total net position increased $8,159,174 over the course of the year's operations.
- The Authority's operating expenses, excluding depreciation, of $29,556,945 in 2020 were $1,917,213 lower than in 2019. In 2020, there was a reduction in fuel expense due to shutdowns and decreased transportation due to the pandemic. Additionally, the decrease in the Authority's OPERS' pension liability primarily contributed to decrease in fringe benefits in 2020.
- Operating revenues for the Authority of $1,959,458 in 2020 decreased $3,972,218 compared to 2019. The decrease in revenue is due primarily to closures and decreased transportation activity as a result of the pandemic, resuling in decreased passenger fares and contracted revenue.
- Property tax revenues of $11,870,693 were down $1,126,038 compared to 2019. This tax represents 29.4% of all revenues received.
- Total federal funding increased $13,299,671 primarily as a result of grants received from the Federal Transporation Administration (FTA) through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) .
- The Authority provided no charter services in 2020 in accordance with current federal regulations.

Financial Highlights in 2019

- The Authority's total net position decreased $5,219,051 to a net deficit of ($4,316,426).
- The Authority's operating expenses, excluding depreciation, of $31,474,158 in 2019 were $969,835 or 3% lower than in 2018. In 2018, the Authority had significant materials and supplies expense related to repairs to chassis that were not significant in 2019.
- Operating revenues for the Authority of $5,931,676 in 2019 increased $135,425 compared with 2018. A new contract with the University of Toledo contributed to the increase.
- Property tax revenues of $12,996,731 were down $66,000 compared to 2018. This tax represents 43.8% of all revenues received.
- Total federal funding increased $898,114 primarily as a result of timing of grant activity.
- The Authority provided no charter services in 2019 in accordance with current federal regulations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority’s financial statements, which is comprised of the basic financial statements and the notes to 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 statements of net position present information on all the Authority's assets, liabilities and deferred inflows of resources, with the difference between the two amounts 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. A net position increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in increased net position, which indicate improved financial position.

The statements of revenues, expenses, and changes in net position present information showing 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 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., employee fringe benefits).

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

Notes to the Financial Statements

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

Financial Analysis of the Authority

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

Authority's Net Position

	Net Position		
	2020	**2019**	**2018**
Assets			
Current assets	$ 32,755,890	$ 22,973,484	$ 22,769,898
Restricted assets	56,286	56,286	56,286
Capital assets, net	21,382,237	22,991,724	25,117,912
	54,194,413	46,021,494	47,944,096
Deferred outflows of resources	4,396,053	8,697,841	4,652,677
Liabilities			
Other liabilities	4,926,605	6,755,782	7,621,293
Long-term liabilities	28,442,038	38,593,650	26,180,963
	33,368,643	45,349,432	33,802,256
Deferred inflows of resources	21,379,075	13,686,329	17,891,892
Net position (deficit)			
Investment in capital assets	21,382,237	22,991,724	25,117,912
Restricted for capital acquisitions	56,286	56,286	56,286
Unrestricted (deficit)	(17,595,775)	(27,364,436)	(24,271,573)
Total net position (deficit)	$ 3,842,748	$ (4,316,426)	$ 902,625

The largest portion of the Authority’s net position reflect investment in capital assets (e.g. diesel buses, operating facilities). The Authority uses these assets to provide public transportation service for the Cities of Toledo, Sylvania, Maumee, and Rossford; Sylvania Township; and the Villages of Ottawa Hills and Waterville. These capital assets are not available to liquidate liabilities or other spending. Unrestricted (deficit) is impacted by the change in net pension and other postemployment benefit liabilities and related deferred outflows and inflows discussed below, as well as the coronavirus pandemic in fiscal year 2020.

Year Ended December 31, 2020

Investment in capital assets decreased to $21,382,237 in 2020 from $22,991,724 in 2019, a reduction of 7%. The decrease was due to depreciation exceeding current year additions. The Authority had $1,327,854 in additions primarily related to software upgrades and vehicles. The Authority disposals were $1,066,160 which consisted primarily of disposal of old vehicles. All disposed vehicles had been fully depreciated.

The net pension liability, included in long-term liabilities, and related deferred outflows recognized by the Authority at December 31, 2020 decreased to $16,680,058 and $2,533,942, respectively. Related deferred inflows as of December 31, 2020 increased to $5,204,269. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

The net other postemployment (OPEB) liability, included in long-term liabilities, recognized by the Authority at December 31, 2020 decreased to $11,761,980. Related deferred outflows and deferred inflows as of December 31, 2020 increased to $1,862,111 and $2,674,806, respectively. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

Year Ended December 31, 2019

Investment in capital assets decreased to $22,991,724 in 2019 from $25,117,912 in 2018, a reduction of 8%. The decrease was due primarily to depreciation exceeding current year additions. The Authority had approximately $1 million in additions related to the transit center and disposed of approximately $7.9 million of old vehicles. All disposed vehicles had been fully depreciated.

The net pension liability, included in long-term liabilities, and related deferred outflows recognized by the Authority at December 31, 2019 increased to $26,039,485 and $7,714,078, respectively. Related deferred inflows as of December 31, 2019 decreased to $407,293. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

The net other postemployment (OPEB) liability, included in long-term liabilities, and related deferred outflows recognized by the Authority at December 31, 2019 increased to $12,554,165 and $983,763, respectively. Related deferred inflows as of December 31, 2019 decreased to $34,036. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

Changes in Net Position

	Change in Net Position		
	2020	**2019**	**2018**
Operating revenues	$ 1,959,458	$ 5,931,676	$ 5,796,251
Operating expenses, excluding depreciation	(29,556,945)	(31,474,158)	(32,443,993)
Depreciation expense	(2,674,715)	(3,426,457)	(3,224,874)
Operating loss	(30,272,202)	(28,968,939)	(29,872,616)
Nonoperating revenues:			
Property taxes	11,870,693	12,996,731	13,063,224
Federal operating and preventive maintenance grants	21,525,182	8,225,511	7,327,397
State operating and preventive maintenance grants	2,700,759	944,298	845,068
Other nonoperating revenues	1,406,506	301,337	338,968
Total nonoperating revenues	37,503,140	22,467,877	21,574,657
Capital grants	928,236	1,282,011	6,205,783
Increase (decrease) in net position	8,159,174	(5,219,051)	(2,092,176)
Net position, beginning of year	(4,316,426)	902,625	11,109,732
Implementation of GASB 75		-	(8,114,931)
Net position, end of year	$ 3,842,748	$ (4,316,426)	$ 902,625

Year Ended December 31, 2020

The Authority's operating revenues for 2020 were down $3,972,218 from 2019, or 67%. Passenger fares decreased $1,842,990, or 78%. Toledo Board of Education and other contracts decreased $2,067,908, or 60%. The Authority ran buses at a reduced level during part of 2020 due to the pandemic. This impacted both passenger fares and services to the University of Toledo and Toledo Public Schools, which provided education remotely. Operating expenses, excluding depreciation, decreased $1,917,212 or 6.1% from 2019 primarily from the impact of the pandemic as well as adjustments to fringe benefits for changes in the net pension and OPEB liabilities and related accounts. The 2020 nonoperating revenues of $37,503,140 were higher than revenues in 2019 due to increases in federal grants from the FTA related to CARES Act relief. Also in 2020, Homestead and Rollback was reclassed from property taxes to state operating and preventative maintenance grants to better reflect the revenue classification.

Year Ended December 31, 2019

The Authority's operating revenues for 2019 were up $135,425 from 2018, or 2.3%. Passenger fares decreased $120,299, or 4.9%. Miles of service for the fixed line were down from the prior year. Revenue from contract services increased $324,303, or 10.3% in 2019. The increase is due to contracted services with the University of Toledo and Toledo Public Schools. Operating expenses, excluding depreciation, decreased $969,835 or 3.0% from 2018 primarily from a decrease in materials and supplies. The Authority had significant repairs in 2018 that were not as significant in 2019. The 2019 nonoperating revenues of $22,467,877 were higher than revenues in 2018 due to increases in federal operating and preventive maintenance assistance. Also in 2020, Homestead and Rollback was reclassed from property taxes to state operating and preventative maintenance grants to better reflect the revenue classification.

Capital Grants

Capital grants from federal and state agencies in 2020 were $928,236. In progress at the end of 2020 is the acquisition of vehicles and equipment, as well as technology and facility projects. Capital grants from federal and state agencies in 2019 were $1,282,011. In progress at the end of 2019 is the parking lot and software upgrade.

Capital Asset and Debt Administration

Capital Assets 2020

The Authority's investment in capital assets amounts to $21,382,237, net of accumulated depreciation, as of December 31, 2020, was a decrease of $1,609,487 or 7% compared with 2019. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year included purchases of vehicles and software upgrades. Additionally, the Authority disposed of vehicles at approximately $1.1 million, all of which were fully depreciated at time of disposal.

Capital Assets 2019

The Authority's investment in capital assets amounts to $22,991,724, net of accumulated depreciation, as of December 31, 2019, was a decrease of $2,126,188 or 9% compared with 2018. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include approximately $1.0 million for the transit center. Additionally, the Authority disposed of vehicles at approximately $8.1 million, all of which were fully depreciated at time of disposal.

Long-Term Debt

The Authority has no outstanding long-term debt as of December 31, 2020 and 2019.

Economic Factors

Inflationary trends in the region compare favorably to national indices. With regard to local funding, the Authority relies on (2) property tax millages of 1 and 1.5 yielding approximately $13.5 million annually. This revenue stream has declined from more than $18 million annually due to property valuations and the withdrawal of Perrysburg and Spencer Township.

It is imperative that the Authority secure an alternative long-term, sustainable local funding source to maintain operations and ensure local match for infrastructure projects is available.

During 2020, the COVID-19 national pandemic occurred, resulting in significant economic implications on the local, state and national level. Public Transportation is considered a critical infrastructure sector by the United States Department of Homeland Security. As such, the Authority continued to provide fixed route and paratransit service throughout the entire pandemic.

The Authority experienced a significant decrease in ridership, dropping 42% from 2019 to 2020. Service hours were reduced, and COVID-19 safety protocols were enacted including fare-free, rear-door boarding, 10/5 or fewer passengers per fixed route/paratransit vehicle, and mandatory facial covering requirements on all vehicles and transit facilities.

Agency Leadership (or Other Factors)

In December of 2019, a new General Manager was hired by the Authority Board of Trustees. During the course of 2020, an entirely new executive leadership team was hired, comprised of public transit professionals from across the nation and other parts of Ohio. Within the organization and in particular the Finance Department, staffing changes also occurred.

In addition, significant changes were made within the Board of Trustees, including President, Vice-President, Secretary/Treasurer and general members.

Major Accomplishments

Major accomplishments during fiscal year 2020 include the following:

- Replaced servers and personal computers, and upgraded computer software programs and business systems.
- Upgraded employee workspaces including desks chairs and equipment replacement.
- Upgraded Central Avenue bus garage lighting.
- Onboarded (49) vehicles from Central Ohio Transit Authority (COTA)
- Rebranded entire fixed route fleet
- Ordered (12) Gillig 35-foor vehicles and replaced entire support vehicle fleet.
- Transforming the Authority's 5 Year Strategic plan, including Agency-wide Organizational Restructure Design, Locally Coordinated Human Service Transportation Plan 2020-2025, Technology Systems Existing Conditions and Strategic Plan, Public Transit Agency Safety Plan, Safety and Security Analysis - Phase I, Transit Asset Management Plan and Facility Condition Assessment Report.

Future Plans

Future plans of the Authority include the following:

- Add Lucas County, as well as enact county-wide .5% sales tax and repeal (2) existing property tax millages based on successful November 2021 ballot.
- Kicking off Next Comprehensive Operational Analysis (Bus System Redesign) in August 2021.
- Provide public transportation across Lucas County in 2022.
- Install automatic passenger counters and implement a modern fare collection system and computerized dispatching system/automotive vehicle location system.
- Implement Enterprise Asset Management - Fleet and Facility Maintenance, as well as Vehicle and Asset Replacement Plan.
- Central Avenue Energy-Efficiency and Building Systems Replacement Projects
- Safety and security investments
- Upgrades to business systems and radio communications system and develop Redundancy/Disaster Recovery Plan.
- Restroom life and safety upgrades at Central Avenue, Huron and Government Station.
- Sale of excess property
- Renegotiate (3) collective bargaining agreements with ATU and UAW.
- Seek federal and state competitive grant opportunities.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Secretary/Treasurer, Toledo Area Regional Transit Authority, P.O. Box 792, Toledo, Ohio, 43697-0792.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Net Position

	December 31	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 9,239,980	$ 3,995,118
Property taxes receivable	13,500,000	13,245,000
Accounts receivable, net	1,040,380	4,617,371
Intergovernmental receivable	8,325,673	-
Inventories	486,376	981,981
Prepaids	163,481	134,014
Total current assets	32,755,890	22,973,484
Noncurrent assets:		
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Capital assets not being depreciated	1,013,711	1,276,337
Capital assets being depreciated, net	20,368,526	21,715,387
Total noncurrent assets	21,438,523	23,048,010
Total assets	54,194,413	46,021,494
Deferred outflow of resources		
Deferred pension amounts	2,533,942	7,714,078
Deferred OPEB amounts	1,862,111	983,763
	4,396,053	8,697,841
Liabilities		
Current liabilities:		
Accounts payable	3,159,559	4,831,682
Accrued payroll and vacation pay	609,882	688,900
Accrued employers' contribution to Ohio Public Employees Retirement System	32,331	155,541
Accrued claims	478,953	468,320
Unearned revenue	523,093	539,330
Other	122,787	72,009
Total current liabilities	4,926,605	6,755,782
Noncurrent liabilities:		
Net pension liability	16,680,058	26,049,485
Net OPEB liability	11,761,980	12,544,165
Total noncurrent liabilities	28,442,038	38,593,650
Total liabilities	33,368,643	45,349,432
Deferred inflows of resources		
Property taxes levied for a subsequent period	13,500,000	13,245,000
Deferred pension amounts	5,204,269	407,293
Deferred OPEB amounts	2,674,806	34,036
Total deferred inflows of resources	21,379,075	13,686,329
Net position		
Investment in capital assets	21,382,237	22,991,724
Restricted for capital acquisitions	56,286	56,286
Unrestricted (deficit)	(17,595,775)	(27,364,436)
Total net position	$ 3,842,748	$ (4,316,426)

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended December 31,	
	2020	2019
Operating revenues		
Passenger fares	$ 516,179	$ 2,359,169
Toledo Board of Education and other contracts	1,405,532	3,473,510
Auxiliary transportation revenue	37,747	98,997
Total operating revenues	1,959,458	5,931,676
Operating expenses		
Labor	12,915,002	12,891,757
Fringe benefits	6,638,395	9,787,613
Materials and supplies	5,808,377	4,002,926
Services	2,201,916	1,857,164
Fuel	861,980	1,714,201
Taxes	280,355	324,010
Claims and insurance	480,899	505,122
Utilities	348,159	381,020
Miscellaneous	21,862	10,345
Total operating expenses	29,556,945	31,474,158
Operating loss before depreciation	(27,597,487)	(25,542,482)
Depreciation	2,674,715	3,426,457
Operating loss	(30,272,202)	(28,968,939)
Nonoperating revenues		
Property taxes	11,870,693	12,996,731
Federal operating and preventive maintenance assistance	21,525,182	8,225,511
State operating and preventive maintenance grants and assistance	2,700,759	944,298
Investment income	10,510	36,520
Gain on disposal of capital assets	33,630	29,068
Nontransportation revenues	1,362,366	235,749
Total nonoperating revenues	37,503,140	22,467,877
Net income (loss) before capital grants	7,230,938	(6,501,062)
Capital grants	928,236	1,282,011
Change in net position	8,159,174	(5,219,051)
Net position, beginning of year	(4,316,426)	902,625
Net position, end of year	$ 3,842,748	$ (4,316,426)

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

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2020	2019
Cash flows from operating activities		
Receipts from fares and contracts	$ 3,264,278	$ 6,058,091
Payments to suppliers	(11,158,755)	(9,684,883)
Payments for labor and employee benefits	(18,157,070)	(18,486,374)
Net cash used in operating activities	(26,051,547)	(22,113,166)
Cash flows from noncapital financing activities		
Property tax receipts	11,870,693	12,996,731
Federal operating and preventive maintenance assistance	15,455,443	10,038,620
State operating and preventive maintenance grants and assistance	2,700,759	944,298
Nontransportation receipts	1,362,366	235,749
Net cash provided by noncapital financing activities	31,389,261	24,215,398
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,065,228)	(1,300,269)
Capital grants received	928,236	1,282,011
Proceeds from sale of capital assets	33,630	29,068
Net cash (used in) provided by capital and related financing activities	(103,362)	10,810
Cash flows from investing activities		
Interest on investments	10,510	36,520
Net change in cash and cash equivalents	5,244,862	2,149,562
Cash and cash equivalents, beginning of year	4,051,404	1,901,842
Cash and cash equivalents, end of year	$ 9,296,266	$ 4,051,404
Cash and cash equivalents from Statements of Net Position:		
Cash and cash equivalents	$ 9,239,980	$ 3,995,118
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Total cash and cash equivalents	$ 9,296,266	$ 4,051,404

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2020	2019
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (30,272,202)	$ (28,968,939)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,674,715	3,426,457
Changes in assets and liabilities:		
Accounts receivable - trade and other	1,321,057	96,278
Inventories	495,605	(45,455)
Prepaid expenses	(29,467)	(22,956)
Deferred outflows - pension and OPEB	4,301,788	(4,045,164)
Accounts payable	(1,672,122)	(858,028)
Accrued liabilities and other	(140,818)	(37,620)
Unearned revenue	(16,237)	30,137
Net pension and OPEB liabilities	(10,151,612)	12,412,687
Deferred inflows - pension and OPEB	7,437,746	(4,100,563)
Net cash used in operating activities	$ (26,051,547)	$ (22,113,166)

concluded

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

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Toledo Area Regional Transit Authority (the "Authority") was created as a regional transit authority pursuant to Sections 306.30 through 306.53, inclusive, of the Ohio Revised Code (ORC) for the purpose of providing public transportation in the Toledo regional area. The Authority is not subject to federal or state income taxes.

The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* This Statement requires that financial statements of the reporting entity include all of the organizations, activities, functions, and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to impose a financial burden on the reporting entity. The Authority does not have financial accountability over any other entities.

The City of Toledo (City) is a related organization to the Authority as the Mayor of the City, with the approval of City Council, appoints a voting majority of the Authority's Board of Trustees. However, the financial statements of the Authority are not included within the City's "Reporting Entity" as the City cannot impose its will and there is no financial benefit or financial burden relationship between the City and the Authority.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's policies are described below.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority is operated as an enterprise fund, a proprietary fund type, which is used to account for operations that are financed and operated in a manner similar to private business. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are fares charged to the users of the transit system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted net position represents amounts that are subject to restrictions beyond the Authority's control. The restrictions may be externally imposed or imposed by law. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2019 that will be collected in 2020 are recorded as a receivable and deferred inflow of resources. Deferred inflows arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Assets, Liabilities and Equity

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Restricted cash and cash equivalents include funds received under various capital grants from local contributions that are restricted for capital expenditures.

Inventories and Prepaid Expenses

Materials and supplies inventories are stated at the lower of cost or market value (net realizable value). Cost is determined using the average cost method.

Certain prepayments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Investments

Investments (including cash equivalents) are stated at fair value, which is based on quoted market prices. Any unrealized gains or losses are recognized as adjustments to investment income. The Authority's policy is to hold investment securities to their scheduled maturity date. All investments with a maturity beyond 12 months at date of purchase are classified as long-term.

The Authority can invest 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 the 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.

Capital Assets

Capital assets, which include property, buildings and equipment, are recorded at cost. The Authority defines capital assets as assets with an initial individual cost of more than $3,500 and an estimated useful life in excess of a year. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized.

Capital assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	15-40
Land improvements	5-10
Transportation equipment	3-10
Transit stations	20
Transit shelters	5
Software	3
Other (primarily service equipment, furniture and fixtures, and computers and computer equipment)	5-10

Compensated Absences

The liability for compensated absences consists of unpaid, accumulated annual vacation pay. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The Authority provides sick and accident pay to its full-time union employees. Employee sick and accident pay is recorded as an expense when paid and does not carry over from year to year.

Budgets and Budgetary Accounting

In accordance with Section 5705 of the ORC, an annual budget of revenues, expenses, and capital expenditures is prepared under the accrual basis of accounting, in accordance with GAAP. The budget is adopted by resolution of the board of trustees. The Authority, operating as an enterprise fund, utilizes such budget and related budgetary accounting to ensure that: (1) service objectives are attained; (2) expenditures are properly controlled; and (3) adequate resources will be available to finance current operations and meet capital outlay requirements.

Because the Authority's revenues and expenses may fluctuate with changing service delivery levels, a flexible rather than fixed-dollar budget is utilized to permit budgetary revision based upon changing fare revenue, levels of service, and cost of operations at specific service levels. Actual results of operations are compared to the final, revised budget of the Authority for the year.

The Authority had no expenditures in excess of appropriations at the legal level of appropriation for the years ended December 31, 2020 and 2019.

Net Position

Equity is displayed in three components as follows:

Investment in Capital Assets - This consists of capital assets, net of accumulated depreciation.

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets."

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 positon 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.

Deferred Inflows/Outflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resource for certain pension and OPEB related amounts, such as the difference between projected and actual earnings of the pension and OPEB plans' investments. More detailed information can be found in Note 5.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Authority reports deferred outflows of resources for changes in expected and actual investment returns, changes in assumptions, and certain contributions made to the pension and OPEB plans subsequent to the measurement date. More detailed information, including the amortization of these amounts can be found in Note 5.

Revenue

Passenger fares are recorded as revenue at the time services are performed.

Federal and state operating and preventative maintenance assistance funds to be received by the Authority under the Urban Mass Transportation Assistance Act of 1964, as amended, and under the Ohio Public Mass Transportation Grant Program are recorded and reflected in revenue in the period to which they are applicable.

Capital Grants

Federal and state capital grants for the acquisition of property and equipment are recorded as the costs are incurred. Capital acquisitions for which grant funds have not been received from Federal Transit Authority (FTA) or Ohio Department of Transportation (ODOT) are recorded as capital grants receivable.

When assets acquired with capital grant funds are disposed, the Authority is required to notify the granting federal agency. A proportional amount of the proceeds or fair market value, if any, of such property may be used to acquire like-kind replacement vehicles or remitted to the granting federal agency.

Compliance

Contrary to Ohio Law, the Authority's appropriations exceed the amount certified as available.

2. DEPOSIT AND INVESTMENTS

The provisions of the ORC govern the investment and deposit of the Authority's monies. In accordance with these provisions, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Authority to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAROhio), and obligations of the United States government or certain agencies thereof. The Authority may also enter into repurchase agreements with any eligible depository institution for a period not exceeding 30 days. At the time of making an investment, the Authority's Treasurer must reasonably expect that the investment can be held until maturity. To the extent possible, the Treasurer will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the Treasurer will not directly invest in securities maturing more than five years from the settlement date of purchase.

Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF), or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit with the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly known as a "derivative"). The Authority is also prohibited from investing in reverse repurchase agreements.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy requires all investments must mature within five years from their original purchase date.

Concentration of Credit and Custodial Credit Risk. The Authority places no limit on the amount that may be invested in any one issuer. Presently, all investments are U.S. Treasury and governmental agency securities. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have deposit policy for custodial credit risk.

Deposits

Information regarding the Authority's deposits at December 31, 2020 and 2019 as follows:

	2020	2019
Book/carrying value of deposits:		
Cash and cash equivalents	$ 9,239,980	$ 3,995,118
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Total book balance	$ 9,296,266	$ 4,051,404
Bank balance:		
Covered by federal depository insurance	$ 717,639	$ 1,101,551
Covered by pledged pooled collateral	9,091,410	4,083,657
Total bank balance **Accounts:**	$ 9,809,049	$ 5,185,208

3. ACCOUNTS AND INTERGOVERNMENTAL RECEIVABLES

In 2020, the receivables were adjusted to better reflect receivables expected due to outstanding grant revenue. Accounts and intergovernmental receivables at December 31, 2020 and 2019 consisted of the following:

	2020	2019
Intergovernmental:		
Capital grants	$ 918,423	$ -
Federal operating and preventive maintenance assistance	7,407,250	-
	8,325,673	-
Accounts:		
Trade and other	1,049,936	1,222,201
Federal operating and preventive maintenance assistance	-	3,427,170
Less allowance for doubtful receivables	9,556	32,000
Total accounts receivable, net	$ 1,040,380	$ 4,617,371

Notes to Financial Statements

4. CAPITAL ASSETS

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

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 743,244	$ -	$ -	$ 743,244
Construction in progress	533,093	-	262,626	270,467
Total capital assets not being depreciated	1,276,337	-	262,626	1,013,711
Capital assets, being depreciated:				
Buildings	22,498,674	87,100	-	22,585,774
Land improvements	1,726,830	-	-	1,726,830
Transit stations	7,375,978	-	-	7,375,978
Transportation equipment	26,326,824	48,000	842,034	25,532,790
Other equipment	12,175,520	1,192,754	224,126	13,144,148
Total capital assets being depreciated	70,103,826	1,327,854	1,066,160	70,365,520
Less accumulated depreciation for:				
Buildings	9,942,505	502,422	-	10,444,927
Land improvements	1,625,879	11,120	-	1,636,999
Transit stations	5,438,022	264,045	-	5,702,067
Transportation equipment	19,749,152	1,506,693	842,034	20,413,811
Other equipment	11,632,881	390,435	224,126	11,799,190
Total accumulated depreciation	48,388,439	2,674,715	1,066,160	49,996,994
Total capital assets being depreciated, net	21,715,387	(1,346,861)	-	20,368,526
Total capital assets, net	$ 22,991,724	$ (1,346,861)	$ 262,626	$ 21,382,237

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

	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 743,244	$ -	$ -	$ 743,244
Construction in progress	1,970,988	262,626	1,700,521	533,093
Total capital assets not being depreciated	2,714,232	262,626	1,700,521	1,276,337
Capital assets, being depreciated:				
Buildings	19,815,473	2,683,201	-	22,498,674
Land improvements	1,726,830	-	-	1,726,830
Transit stations	7,375,978	-	-	7,375,978
Transportation equipment	34,355,989	-	8,029,165	26,326,824
Other equipment	12,210,562	54,963	90,005	12,175,520
Total capital assets being depreciated	75,484,832	2,738,164	8,119,170	70,103,826
Less accumulated depreciation for:				
Buildings	9,469,217	473,288	-	9,942,505
Land improvements	1,614,747	11,132	-	1,625,879
Transit stations	5,171,817	266,205	-	5,438,022
Transportation equipment	25,649,690	2,128,627	8,029,165	19,749,152
Other equipment	11,175,681	547,205	90,005	11,632,881
Total accumulated depreciation	53,081,152	3,426,457	8,119,170	48,388,439
Total capital assets being depreciated, net	22,403,680	(688,293)	-	21,715,387
Total capital assets, net	$ 25,117,912	$ (425,667)	$ 1,700,521	$ 22,991,724

5. DEFINED BENEFIT PENSION PLAN

Defined Benefit Plan

The Authority contributes to the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer defined benefit pension plan. OPERS administers three separate 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 plan with defined contribution features. While members may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement and disability benefits, annual cost of living adjustments, and survivor and death benefits to plan members and beneficiaries. Chapter 145 of the ORC assigns the Authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues a stand-alone financial report. Interested partiews may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR or by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-PERS (7377) or 614-222-5601.

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

The net pension liability represent 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 Statement No. 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 legislature 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 net pension liability for OPERS was measured as of December 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 entitites. At December 31, 2019, the Authority's proportion was 0.084389%, which was a decrease of 0.000113% from its proportion measured as of December 31, 2018 of 0.095678% The collective net pension liabilities of the retirement systems and the Authority's proportionate share of these net pension liabilities are as follows as of December 31:

	2020	2019
Net pension liability - all employers	$ 19,557,154,298	$ 27,276,150,124
Proportion of the net pension liability	0.084389%	0.095678%
Proportion share of net pension liability	$ 16,680,058	$ 26,049,485
Pension expense	$ 4,175,063	$ 3,538,339

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of December 31:

	2020	2019
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$ -	$ 3,589,394
Changes in assumptions	890,910	2,378,333
Differences between expected and actual experience	-	1,209
Change in proportionate share	-	(62,618)
Employer contributions subsequent to the measurement date	1,643,032	1,807,760
Total	$ 2,533,942	$ 7,714,078
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$ 3,327,297	$ -
Change in proportionate share	1,666,076	-
Difference between expected and actual experience	210,896	407,293
Total	$ 5,204,269	$ 407,293

$1,643,032 reported as deferred outflows of resources relate to pension resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2019. Other amounts reported as net deferred outflows and deferred inflows of resources related to pension will be recognized in pension expense during the years ending December 31 as follows:

2021	$	(1,524,250)
2022		(1,605,735)
2023		137,782
2024		(1,321,156)
	$	(4,313,359)

Sentate 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.

Group A	Eligible to retire prior to January 7, 2013 or five years after January 7, 2013
Group B	20 years of service credit prior to January 7, 2013 or eligible to reture ten years after January 7, 2013
Group C	Members not in other Groups and members hired on or after January 7, 2013

The following table provides additional details on the pension benefit formulas, contribution requirements and significant assumptions used in the measurement of total pension liabilities for the retirement system:

Benefit Formula	Benefits are calculated on the basis of age, final average salary (FAS) and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of services. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. 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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.
Cost-of-Living Adjustments	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months: Pre 1/7/2013 - an annual 3% cost-of-living adjustment is provided on the member's base benefit. Post 1/7/2013 - beginning in calendar year 2019, the cost-of-living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2019, employer rates for the State and Local Divisions were 14% of covered payroll. Member rates for the State and Local Divisions were 10% of covered payroll. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.
Measurement	December 31, 2019.
Actuarial Assumptions	**Valuation Date:** December 31, 2019 **Actuarial Cost Method:** Individual entry age **Investment Rate of Return:** 7.20% **Wage Inflation:** 3.25% **Projected Salary Increases:** 3.25% - 10.75%, including wage inflation at 3.25% **Cost-of-Living Adjustments:** Pre 1/7/13 retirees 3.00% Simple; Post 1/7/13 retirees 3.00% simple through 2018, 2.15 percent simple thereafter

Mortality Rates	Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Date of Last	5 year period ended December 31, 2015
Investment Return Assumptions	The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	**Target Allocation**	**Long Term Expected Return Return***
Fixed Income	25.0%	1.83%
Domestic Equity	19.0%	5.75%
Real Estate	10.0%	5.20%
Private Equity	12.0%	10.70%
International Equity	21.0%	7.66%
Other Investments	13.0%	4.98%
Total	100.0%	5.61%

*Returns presented as arithmetic means

	During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.		
Discount Rate	The discount rate used to measure the total pension liability was 7.2%, post-experience study results, 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. 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.		
Sensitivity of Authority's proportionate share of Net Pension Liability to	**1% Decrease (6.2%)**	**Current Discount Rate (7.2%)**	**1% Increase (8.2%)**
	$27,510,814	$ 16,680,058	$6,943,527

Defined Contribution Plans

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost of living adjustments, post-retirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

Combined Plans

OPERS also offers a combined plan. This is a cost-sharing multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive post-retirement health care benefits. OPERS provide retirement, disability, survivor and post-retirement health benefits to qualifying members of the combined plan.

Funding Policy

ORC provides OPERS statutory authority to set employee and employer contributions. The required contribution rates (as a percentage of covered payroll) for plan members and the Authority are 10% and 14%, respectively. The portion of the Traditional Plan and the Combined Plan employer contributions allocated to health care was 0% for calendar year 2020 and 2019. The Authority's contributions, which represent 100% of required employer contributions, for the year ended December 31, 2020 was $1,643,032.

6. OTHER POSTEMPLOYMENT BENEFITS

As described in Note 5, OPERS provides benefits other than pensions, such as health care, that meet the GASB criteria for other postemployment benefits.

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice 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, unknowable 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 Authorit 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. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' ACFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health dare is not being funded.
Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, the Authority contributed at a rate of 14.0 percent of earnable salary. This is 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 0.0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 and 2019 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $0 for 2020.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2020	2019
Net OPEB liability - all employers	$ 13,812,597,868	$ 13,037,639,421
Proportion of the net OPEB liability	0.085154%	0.096215%
Proportionate share of the net OPEB liability	$ 11,761,980	$ 12,544,165
OPEB Expense	$ 2,224,674	$ 728,258

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	2019
Deferred Outflows of Resources		
Difference between expected and actual experience	$ 315	$ 4,248
Net difference between projected and actual experience	-	575,076
Changes in proportionate share	-	-
Changes in assumptions	1,861,796	404,439
Total	$ 1,862,111	$ 983,763
Deferred Inflows of Resources		
Difference between expected and actual experience	$ 1,075,687	$ 34,036
Net difference between projected and actual experience	598,917	-
Change in proportionate share	1,000,202	-
Total	$ 2,674,806	$ 34,036

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:	
2021	$ (353,113)
2022	(204,136)
2023	477
2024	(255,923)
Total	$ (812,695)

Actuarial Assumptions

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 using the following key assumptions applied to all periods inlcuded in the measurement (measurement date of December 31, 2019):

Experience study	5 year period ended December 31, 2015
Projected salary increases, including inflation	3.25% - 10.75% (includes inflation)
Single discount rate:	3.16%
Investment rate of return	6.00%
Health care cost trend rate	10.5% initial, 3.5% ultimate in 2030
Municipal bond	2.75%
Wage Inflation	3.25%
Actuarial cost method	Individual Entry Age Normal

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

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

During 2019, 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 19.7% for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	**Target Allocation**	**Long Term Expected Return Return***
Fixed Income	36.0%	1.53%
Domestic Equities	21.0%	5.75%
Real Estate Investment Trust	6.0%	5.69%
International Equities	23.0%	7.66%
Other Investments	14.0%	4.90%
Total	100.0%	4.55%

Discount Rate - A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Authority's proportionate share1of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Authority's proportionate share of net OPEB liability	$ 15,392,437	$ 11,761,980	$ 8,855,164

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. 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 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of net OPEB liability	$ 11,414,894	$ 11,761,980	$ 12,104,641

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

7. RISK MANAGEMENT

Property and Liability

The Authority is exposed to various risks of loss related to torts, theft or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Authority participates in the Ohio Transit Risk Pool, Inc. (OTRP), formerly the Ohio Transit Insurance Pool (OTIP), related to its general liability risk. A provision with respect to claims is accrued in the period in which accidents occur or in the incidence of loss is determined, based upon management's estimate of the ultimate liability.

Any underfunding of the plan's liabilities is shared by the members on a pro rata basis based on pool contribution factors composed of: population, full-time employees, vehicles, property values, budget, net operating expenses and claims history (double weighted). This can result in future refund or return of prior years' surplus.

Health Insurance

Since January 1, 2014, the Authority has been a member of the Ohio Transit Risk Pool (OTRP), a joint self-insruance pool, created pursuant to Section 2744.081 of the Ohio Revised Code. OTRP has been in existence since 1994 and operates pursuant to By-Laws and a Board of Trustees. OTRP provides self-insurance through risk retention and the group purchase of property and liability coverage from A-rated, or greater, commercial carriers.

The Authority has certain stop-loss coverage for hospitalization and medical benefits coverage and expense totaled approximately $3.5 million in 2020, $3.4 million in 2019 and $3.3 million in 2018. No claims have exceeded the stop-loss coverage during the past three years. In addition, the Authority provides life insurance coverage to all full-time employees.

Workers' Compensation

Effective January 1, 2011, the Authority has elected to take advantage of the workers' compensation plan offered by the State of Ohio. This plan, called retrospective rating, allows the Authority to pay a fraction of the premium it would pay as an experience-rated risk.

Retrospective rating constitutes a step closer to self-insurance. In the retrospective rating plan, the Authority agrees to assume a portion of the risk in return for a possible reduction in premiums. The greater the percentage of the risk the Authority assumes, the greater the potential reduction in the premium. If the Authority's loss experience is better than predicted by the experience-rating system, its premium obligation will be less than what it would have paid under experience rating. If its experience is worse than predicted, its premium obligation will be more than it would have been assessed under experience rating, limited to a maximum premium. The Authority has assumed the risk of individual claims up to a maximum of $100,000.

The Authority has agreed to pay all claims up to a maximum of 150% of what the Authority would have paid had the Authority remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the Authority pays the State a "minimum premium" for retaining the risk of having to pay claims which exceed the Authority's maximum claim limits. Ten years after each year the Authority elected the retrospective plan for workers' compensation, the Authority settles up for the reserve on any claims that are still open. The accrued claims liability amounted to approximatley $303,000 and $172,000 at December 31, 2020 and 2019.

Changes in the accrued claims liability, including general liability, medical, and workers' compensation, for the years ended December 31, 2020, 2019, and 2018, are as follows:

	2020	2019	2018
January 1, liability	$ 468,320	$ 463,284	$ 504,037
Current year claims and changes in estimates	3,575,986	3,421,573	3,300,945
Claim payments	(3,565,353)	(3,416,537)	(3,341,698)
December 31, liability	$ 478,953	$ 468,320	$ 463,284

Notes to Financial Statements

8. PROPERTY TAX REVENUES

The Authority is subsidized by two annual property tax levies consisting of a 1.0 mill levy in effect through 2020 (collectible through 2021) and a 1.5 mill levy in effective through 2026 (collectible through 2027). Revenues generated from the 1.0 mill and 1.5 mill levies are based on property valuations conducted in 2012 and triennially updated in 2018, for property located within the Authority's operating district. On April 28, 2020, the voters approved to renew the 1.0 mill levy to be in effect in 2021 for ten years.

Property taxes include amounts levied against all real, public utility, and tangible (used in business) property located in the Authority's operating district. Lucas and Wood Counties collect all property taxes on behalf of the Authority. Due and collections dates as established by Lucas and Wood Counties, are February and July of the subsequent year.

Real property and tangible personal property taxes collected during fiscal year 2020 and 2019 had a lien and levy date of December 2019 and 2018, respectively.

9. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2020 and 2019:

	2020	2019
FTA preventive maintenance assistance and ADA	$ 2,060,046	$ 3,427,222
FTA operating assistance	1,494,939	4,798,289
FTA CARES Act funding	17,970,197	-
Total	$ 21,525,182	$ 8,225,511

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2020 and 2019:

	2020	2019
State fuel tax reimbursement	$ 274,530	$ 315,191
ODT operating assistance	2,426,229	629,107
Total	$ 2,700,759	$ 944,298

10. UNRESTRICTED DEFICIT

The Authority's unrestricted deficit consists of the following for the years ended December 31, 2020 and 2019:

	2020	2019
Pension liability fund deficit	$ (19,350,385)	$ (18,732,700)
OPEB liability fund deficit	(12,574,675)	(11,604,075)
Undesignated	14,329,285	2,972,339
Total unrestricted deficit	$ (17,595,775)	$ (27,364,436)

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Authority has cancellable operating leases executed in one-year intervals for revenue vehicle tire utilization. Total rental expense for all operating leases amounted to approximately $148,000 and $273,000 for the years ended December 31, 2020 and 2019, respectively.

Litigation

The Authority has been named in various public liability and property damage claims and suits. The ultimate outcome of these claims and suits cannot be determined. However, it is the opinion of management that any resulting liability to the Authority in excess of that provided in the accompanying balance sheets, and which is not covered by insurance, would not be material to the financial statements.

Grants

Under the terms of the Authority’s various capital and operating grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2020 and 2019, there were no material questioned costs that had not been resolved with the federal or state agencies. Questioned costs could still be identified during audits to be conducted in the future. Management of the Authority believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above grants.

FTA grant stipulations also require the grantee to retain assets acquired by FTA funds for the full estimated asset useful life (as determined by the FTA). If this provision is not met, the grantee must refund FTA’s un-depreciated basis in assets disposed.

Union Contracts

The Authority has three union contracts, which cover drivers, mechanics, administrative and TARPS employees. The TARPS contract expired in 2010 and is currently in negotiations. The Authority and the administrative union entered a contract effective May 2015 through May 2020. In May 2020, the Authority signed a memorandum of understanding for COVID-19 pay on a temporary basis. The Authority and the contract covering fixed line operators and mechanics is effective May 2015 through August 2021 and currently in negotiations.

12. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Authority's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to negatively impact the Authority's financial position, the related financial consequences and duration are highly uncertain.

During 2020, the COVID-19 national pandemic occurred, resulting in significant economic implications and health emergencies on the local, state and national level. Public Transportation is considered a critical infrastructure sector by the United States Department of Homeland Security. As such, the Authority continued to provide fixed route and paratransit service throughout the entire pandemic. The Authority experienced a significant decrease in ridership, dropping 42% from 2019 to 2020. Service hours were reduced, and COVID-19 safety protocols were enacted including fare-free, rear-door boarding, 10/5 or fewer passengers per fixed route/paratransit vehicle, and mandatory facial covering requirements on all vehicles and transit facilities. Additionally, increased facility and vehicle disinfecting and sanitizing protocols were initiated to ensure mitigate effects of the virus on employees and customers. Significant investment in personal protective equipment also occurred including masks, gloves, face masks, and plexiglass barriers.

In April 2020, the Authority through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Enactment, was provided $17,970,197 in Federal Transit Administration funding. These funds are intended to prevent, prepare for, and respond to COVID-19. This grant award will fund the continued movement of critical public transit operations in our region and support critical projects to restore service in a safe manner. The Authority provides essential transportation services to ensure that those who need transportation can get to work, medical appointments, educational opportunities, and other critical and essential daily life activities. This funding will allow the Authority to get through the immediate impact of the National COVID-19 pandemic as well as provide assistance to help with the long-term economic downturn that is expected. The grant is through December 31, 2023 and was depleted in 2021.

In addition to the CARES Act funding, Congress enacted two subsequent stimulus authorizations that included funding for public transit in 2021. The Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSA”) and the American Rescue Plan Act (“ARPA”) provides $2,866,965 and $15,716,078, respectively for the Authority to prevent, prepare for, and respond to COVID-19. In total, the combination of the three Federal Transit Administration stimulus grants equal 135% of the 2018 Annual Agency Operating Costs as reported to the National Transit Database.

Schedule of the Authority's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System (OPERS)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Authority's proportion of the net pension liability	0.084389%	0.095678%	0.098989%	0.107329%	0.100752%
Authority's proportionate share of the net pension liability	$ 16,680,058	$ 26,049,485	$ 15,324,957	$ 24,283,655	$ 17,386,226
Authority's covered-employee payroll	$ 12,983,900	$ 12,891,757	$ 13,943,074	$ 14,208,050	$ 14,792,550
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	128.47%	202.06%	109.91%	170.91%	117.53%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%	81.16%

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Schedule of Authority's Contributions
Ohio Public Employees Retirement System (OPERS)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Contractually required contribution	$ 1,643,032	$ 1,817,746	$ 1,804,846	$ 1,812,560	$ 1,704,966
Contributions in relation to the contractually required contribution	(1,643,032)	(1,817,746)	(1,804.846)	(1,812,560)	(1,704,966)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 11,735,943	$ 12,983,900	$ 12,891,757	$ 13,943,074	$ 14,208,050
Contributions as a percentage of covered employee payroll	14.0%	14.0%	14.0%	13.0%	12.0%

See accompanying notes to required supplementary information.

Schedule of the Authority's Proportionate Share of the Net Other Postemployment Benefits Liability
Ohio Public Employees Retirement System (OPERS)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Authority's proportion of the net OPEB liability	0.085154%	0.096215%	0.099970%
Authority's proportionate share of the net OPEB liability	$ 11,761,980	$ 12,544,165	$ 10,856,006
Authority's covered-employee payroll	$ 12,983,900	$ 12,891,757	$ 13,943,074
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	90.59%	97.30%	77.86%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%

The amount presented for 2018 was determined as of December 31 of the preceding year.

Schedule of Authority's Contributions
Ohio Public Employees Retirement System (OPERS)

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Contractually required contribution	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered-employee payroll	$ 11,735,943	$ 12,983,900	$ 12,891,757
Contributions as a percentage of covered employee payroll	0.0%	0.0%	0.0%

See accompanying notes to required supplementary information.

Notes to Required Supplementary Information

NET PENSION LIABILITY - COST SHARING PLANS

Ohio Public Employees Retirement System (OPERS)
Change in benefit terms
There were no changes in benefit terms for the period 2014-2020.

Change in assumptions
2014 - 2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amount reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

NET OPEB LIABILITY - COST SHARING PLANS

Ohio Public Employees Retirement System (OPERS)
Change in benefit terms
There were no changes in benefit terms for the period 2018-2020.

Change in assumptions
For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

Notes to Required Supplementary Information

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Provided Through to Subrecipients**	**Total Federal Expenditures**
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program			
Federal Transit Cluster:			
Federal Transit Formula Grant	20.507		$2,738,424
COVID-19 Federal Transit Formula Grants	20.507		17,970,197
Total Federal Transit Formula Grant			20,708,621
State of Good Repair Grants Program	20.525		30,080
Buses and Bus Facilities Formula, Competitive, and Low or no Emissions Programs	20.526		492,000
Total Federal Transit Cluster			21,230,701
Transit Services Programs Cluster:			
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	$133,301	263,622
Total Transit Services Program Cluster		133,301	263,622
Total U.S. Department of Transportation		133,301	**21,494,323**
Total Expenditures of Federal Awards		$133,301	**$21,494,323**

The accompanying notes are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Toledo Area Regional Transit Authority, Lucas County, Ohio (the Authority's) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

The Authority passes certain federal awards received from the U.S. Department of Transportation to other governments or not-for-profit agencies (subrecipients). As Note B describes, the Authority reports expenditures of Federal awards to subrecipients when paid on an accrual basis.

As a subrecipient, the Authority has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require the Authority to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Authority has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Toledo Area Regional Transit Authority
Lucas County
1127 West Central Avenue
P.O. Box 792
Toledo, Ohio 43695-0792

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Toledo Area Regional Transit Authority, Lucas County, Ohio (the Authority) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 14, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority. We also noted the financial statements of the Authority as of and for the year ended December 31, 2019 were audited by a predecessor auditor.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Authority's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2020-001 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Authority's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-002.

Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and corrective action plan. We did not subject the Authority's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2022

88 East Broad Street
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Toledo Area Regional Transit Authority
Lucas County
1127 West Central Avenue
P.O. Box 792
Toledo, Ohio 43695-0792

To the Board of Trustees:

Report on Compliance for the Major Federal Program

We have audited Toledo Area Regional Transit Authority, Lucas County, Ohio's (the Authority) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Toledo Area Regional Transit Authority's major federal program for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Authority's major federal program.

Management's Responsibility

The Authority's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Authority's compliance for the Authority's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Toledo Area Regional Transit Authority complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

The Authority's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Authority's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Authority's internal control over compliance.

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

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

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

February 14, 2022

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Federal Transit Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2020-001

Significant Deficiency - Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statement; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting a financial statement free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

We identified the following errors requiring adjustments to the financial statements and notes to the financial statements:

- State operating and preventative maintenance assistance in the amount of $1,457,515 was incorrectly classified as property tax revenue;
- Deferred outflows of resources – pension, net pension liability, deferred inflows of resources – pension, and pension expense were understated in the amounts of $506,371, $278,813, $1,607,204, and $1,379,646, respectively; and
- Deferred outflows of resources – OPEB, deferred inflows of resources – OPEB, and OPEB expense were understated in the amounts of $113,094, $1,004,115, and $891,021, respectively.

These errors were not identified and corrected prior to the Authority preparing its financial statements and notes to the financial statements due to deficiencies in the Authority's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead the Board of Trustees to make misinformed decisions. The accompanying financial statements and notes to the financial statements have been adjusted to reflect this change. In addition to the adjustments noted above, we also identified additional misstatements ranging from $41,021 to $225,777, which we have brought to the Authority's attention.

To help ensure the Authority's financial statements and notes to the financial statements are complete and accurate, the Authority should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Chief Fiscal Officer and Board of Trustees to help identify and correct errors and omissions.

Officials' Response:

See Corrective Action Plan

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

At December 31, 2020 the Authority's appropriations exceeded the amount certified as available by the budget commission in the General fund by $22,715,971.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Authority’s compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Authority should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Authority should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board of Trustees to reduce the appropriations.

Officials’ Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2020

Finding Number:	2020-001
Planned Corrective Action:	The Authority will update accounting policies and procedures, including policies and procedures over financial reporting, a final review of the financial statements and notes to the financial statements by the Chief Financial Officer and Board of Trustees to help identify and correct errors and omissions.
Anticipated Completion Date:	5/31/2022
Responsible Contact Person:	Sophie Giviyan, CFO

Finding Number:	2020-002
Planned Corrective Action:	The Authority will update accounting policies and procedures, including procedures to compare appropriations to estimated resources, and the following actions: - If adequate resources are available for additional appropriations, the Authority will submit an amended certificate of estimated resources to the budget commission for certification. - If the resources are not available to cover the appropriations, an amendment to the appropriation resolution will be passed by the Board of Trustees to reduce the appropriations.
Anticipated Completion Date:	5/31/2022
Responsible Contact Person:	Sophie Giviyan, CFO

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

OHIO AUDITOR OF STATE
KEITH FABER

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

LUCAS 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 3/1/2022

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