



**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY
DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

Toledo Area Regional Transit Authority
Lucas County
1127 West Central Avenue
Toledo, Ohio 43695-0792

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Toledo Area Regional Transit Authority, Lucas County, Ohio (Authority), as of and for the years ended December 31, 2021 and 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Toledo Area Regional Transit Authority, Lucas County, Ohio as of December 31, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the identify accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

September 12, 2022

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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, 2021 and 2020. 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 2021

- The Authority's total net position increased \$15,937,313 over the course of 2021, with operating expenses running \$8,653,864 lower than in 2020.
- The Authority's operating expenses, excluding depreciation, were \$20,903,081 in 2021. The decrease is primarily due to the change in OPERS's pension and OPEB asset/liability of \$12,497,431. When excluding the impact of the change in pension and OPEB, the operating expenses increased \$5,431,489. The increases were primarily tied to increase in salaries and benefits (\$2,012,326) and services (\$1,648,940). In 2020, there was a reduction in fuel expense due to shutdowns and decreased transportation due to the pandemic. In 2021, the Authority resumed operations, resulting in increased services and related expenses.
- Operating revenues for the Authority decreased \$982,792 compared in 2021 compared to 2020, due in large part to closures and decreased transportation activity as a result of the pandemic.
- Property tax revenues of \$11,831,180 were down \$39,513 compared to 2020. This tax represents 30.5% of all revenues received.
- Total federal funding increased \$1,681,096 primarily as a result of grants received from the Federal Transportation Administration (FTA) through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in 2020 that were used through fiscal year 2021.
- The Authority provided no charter services in 2021 in accordance with current federal regulations.

Financial Highlights in 2020

- The Authority's total net position increased \$8,159,174 in 2020, with operating expenses, excluding depreciation, sitting at \$29,556,945, \$1,917,213 lower than in 2019.
- Pandemic related shutdowns caused a reduction in fuel expense, and the Authority's costs related to pension liability and fringe benefits also decreased in 2020.
- Operating revenues for 2020 decreased \$3,972,218 compared to 2019, to \$1,959,458, also due to pandemic-related closures.
- Property tax revenues of \$11,870,693 were down \$1,126,038 compared to 2020. 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 Transportation 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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these 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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Authority's Net Position

	Net Position		
	2021	2020	2019
Assets			
Current assets	\$ 36,666,468	\$ 32,755,890	\$ 22,973,484
Noncurrent assets	1,509,248	56,286	56,286
Capital assets, net	20,470,617	21,382,237	22,991,724
	<u>58,646,333</u>	<u>54,194,413</u>	<u>46,021,494</u>
Deferred outflows of resources	<u>2,387,233</u>	<u>4,396,053</u>	<u>8,697,841</u>
Liabilities			
Other liabilities	4,729,395	4,926,605	6,755,782
Long-term liabilities	12,355,499	28,442,038	38,593,650
	<u>17,084,894</u>	<u>33,368,643</u>	<u>45,349,432</u>
Deferred inflows of resources	<u>24,168,611</u>	<u>21,379,075</u>	<u>13,686,329</u>
Net position (deficit)			
Investment in capital assets	20,470,617	21,382,237	22,991,724
Restricted for capital acquisitions	-	56,286	56,286
Unrestricted (deficit)	(690,556)	(17,595,775)	(27,364,436)
	<u>(690,556)</u>	<u>(17,595,775)</u>	<u>(27,364,436)</u>
Total net position (deficit)	<u>\$ 19,780,061</u>	<u>\$ 3,842,748</u>	<u>\$ (4,316,426)</u>

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, Rossford and Waterville; Sylvania Township; and the Villages of Ottawa Hills. 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, 2021

Investment in capital assets decreased to \$20,470,617 in 2021 from \$21,382,237 in 2020, a reduction of 4.3%. The decrease was due to depreciation exceeding current year additions. The Authority had \$1,365,472 in additions primarily related to buildings and vehicles. The Authority disposals were \$2,684,129 which consisted primarily of disposal of old vehicles and sale of the Park Transit. A loss on disposal of transportation equipment of \$44,148 and gain on sale of the Park Transit of \$183,918 were recognized in 2021.

The net pension liability, included in long-term liabilities, and related deferred outflows recognized by the Authority at December 31, 2021 decreased to \$12,355,499 and \$1,645,270, respectively. Related deferred inflows as of December 31, 2021 increased to \$5,974,094. 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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

The Authority has recognized a net other postemployment (OPEB) asset, included in non-current assets, of \$1,509,248 at December 31, 2021. Related deferred outflows decreased to \$741,963 and deferred inflows increased to \$4,994,517 as of December 31, 2021. 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, 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 \$1,065,228 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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Changes in Net Position

	Change in Net Position		
	2021	2020	2019
Operating revenues	\$ 976,666	\$ 1,959,458	\$ 5,931,676
Operating expenses, excluding depreciation	(20,903,081)	(29,556,945)	(31,474,158)
Depreciation expense	(2,232,944)	(2,674,715)	(3,426,457)
Operating loss	(22,159,359)	(30,272,202)	(28,968,939)
Nonoperating revenues:			
Property taxes	11,831,180	11,870,693	12,996,731
Federal operating and preventive maintenance grants	23,206,278	21,525,182	8,225,511
State operating and preventive maintenance grants	2,480,680	2,700,759	944,298
Other nonoperating revenues	308,509	1,406,506	301,337
Total nonoperating revenues	37,826,647	37,503,140	22,467,877
Capital grants	270,025	928,236	1,282,011
Increase (decrease) in net position	15,937,313	8,159,174	(5,219,051)
Net position, beginning of year	3,842,748	(4,316,426)	902,625
Net position, end of year	\$ 19,780,061	\$ 3,842,748	\$ (4,316,426)

Year Ended December 31, 2021

The Authority's operating revenues for 2021 were down \$982,792 from 2020, or 50%. Passenger fares decreased \$428,693, or 83%. Toledo Board of Education and other contracts decreased \$557,094, or 40%. 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. The contract with Toledo Public Schools ended before the start of the 2021-22 school year.

Operating expenses, excluding depreciation, decreased \$8,653,864 or 29% from 2020 primarily from the adjustments to fringe benefits for changes in the net pension and OPEB asset/liabilities and related accounts. When excluding the impact of the change in pension and OPEB, the operating expenses increased \$5,431,489. The increases were primarily due to increase in salaries and benefits of \$2,012,326 and services of \$1,648,940. In 2020, there was a reduction in fuel expense due to shutdowns and decreased transportation due to the pandemic. In 2021, the Authority resumed operations, resulting in increased services and related expenses. The 2021 nonoperating revenues of \$37,826,647 increased \$323,507, or .9%.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

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 reclassified 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 2021 were \$270,025. In progress at the end of 2021 is the acquisition of vehicles and equipment. 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 Asset and Debt Administration

Capital Assets 2021

The Authority's investment in capital assets amounts to \$20,470,617, net of accumulated depreciation, as of December 31, 2021, was a decrease of \$911,620 or 4.3% compared with 2020. 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 \$1.7 million, with a loss on disposal of \$44,148, and sold Park Station which had a cost of \$792,983 and recognized a gain of \$183,918.

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.

Long-Term Debt

The Authority has no outstanding long-term debt as of December 31, 2021 and 2020.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Economic Factors

For local funding, the Authority had relied for decades on property tax millages of 1 and 1.5 yielding approximately \$13.5 million annually. This revenue stream had declined from more than \$18 million annually due to property valuations and the withdrawal of Perrysburg and Spencer Township from the Authority.

After several attempts over the course of a dozen years to get a change in funding on the ballot, TARTA and its community partners succeeded in placing a .5 sales tax in front of voters in November of 2021. The measure was passed with the support of 55 percent of the voters in Lucas County and City of Rossford. The passage of the sales tax, which will bring in \$32 million in revenues annually, repeals the property taxes that had previously funded TARTA and will expand the service area to include all of Lucas County and continue serving the City of Rossford in Wood County.

The COVID-19 pandemic resulted 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. Other safety measures had financial impacts on the Authority such as ceasing to collect fares beginning in March 2020 through August 1, 2022; significantly increasing disinfection of TARTA vehicles and facilities; and increased overtime due to employees contracting COVID-19 and a turnover of workforce.

During the 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, 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 and 2021, 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.

During the 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, fewer passengers per fixed route/paratransit vehicle, and mandatory facial covering requirements on all vehicles and transit facilities.

In addition, significant changes were made within the Board of Trustees, including the installation of a new President and Vice-President.

Major Accomplishments

In 2021, the Authority conducted a successful campaign to change Authority's funding source from two property taxes to a county-wide, .5% sales tax, which will more than double Authority's tax revenue in years to come and bring the Authority more in line with how others transit agencies in Ohio are funded.

In the process of putting the measure on the ballot, Authority also added Lucas County as a member, and committed to expanding its service to cover all of Lucas County.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Other recent accomplishments include:

- Secured federal and state grants for building upgrades, new vehicles, and technology updates.
- Began delivery of 36 brand-new vehicles, which will include 19 paratransit vehicles.
- Negotiated and signed 3-year collective bargaining agreements with ATU, whose membership includes Authority drivers, mechanics, and cleaning personnel.
- Made numerous technology upgrades to the transit system, including the installation of automatic passenger counters, a modern fare collection system and a computerized dispatching system.
- Expanded service to include Sundays and Holidays.
- Created a new Customer Experience Department and developed new methods to improve customers' experience and impressions of Authority's services.
- A new focus to listen and be engaged with the community from virtual community forums; presentations to local communities and stakeholders; and increasing participation in community events.
- Upgrades to business systems and radio communications system and developed Redundancy/Disaster
- Sale of excess property.
- Upgraded employee workspaces including desks chairs and equipment replacement.
- Put system in place for return of fares after more than two years of not charging.

Future Plans

In late 2022 and early 2023, the Authority will reveal the results of TARTA Next, its first system redesign project in decades. The Authority plans to begin implementation of improvements in the same time frame, incorporating feedback from Authority employees, customers, community stakeholders, and the general public.

Also in the Authority's future plans:

- Provide public transportation across Lucas County as soon as financially and logistically possible. This will involve increasing the amount of service, expand the location of service, introduce new service concepts like Microtransit, and determine need and location of additional hubs across the county.
- Restroom and safety upgrades at Central Avenue and the Downtown Transit Hub.
- Continue to aggressively pursue federal and state grant opportunities.
- Continue to update and diversify the fleet to also begin including electric and hydrogen vehicles.
- Make progress toward a cashless fare system.
- Adhere to goals of APTA's Diversity, Equity and Inclusion pledge, and build on the DEI framework that results.
- Grow the new Business Navigator Program to meet area employers' workforce transportation needs.
- Strengthen Authority's training and professional development opportunities for employees.
- An assessment of Authority's properties and long-term facility needs.

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	
	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 18,277,896	\$ 9,239,980
Property taxes receivable	13,200,000	13,500,000
Accounts receivable, net	407,507	1,040,380
Intergovernmental receivable	3,724,842	8,325,673
Inventories	615,947	486,376
Prepays	440,276	163,481
Total current assets	<u>36,666,468</u>	<u>32,755,890</u>
Noncurrent assets:		
Restricted cash and cash equivalents for capital acquisitions	-	56,286
Capital assets not being depreciated	1,339,138	1,013,711
Capital assets being depreciated, net	19,131,479	20,368,526
Net OPEB asset	1,509,248	-
Total noncurrent assets	<u>21,979,865</u>	<u>21,438,523</u>
Total assets	<u>58,646,333</u>	<u>54,194,413</u>
Deferred outflow of resources		
Deferred pension amounts	1,645,270	2,533,942
Deferred OPEB amounts	741,963	1,862,111
	<u>2,387,233</u>	<u>4,396,053</u>
Liabilities		
Current liabilities:		
Accounts payable	3,119,161	3,159,560
Accrued payroll and vacation pay	785,667	609,882
Accrued employers' contribution to Ohio Public Employees Retirement System	42,125	32,331
Accrued claims	199,512	478,953
Unearned revenue	523,093	523,093
Other	59,837	122,786
Total current liabilities	<u>4,729,395</u>	<u>4,926,605</u>
Noncurrent liabilities:		
Net pension liability	12,355,499	16,680,058
Net OPEB liability	-	11,761,980
Total noncurrent liabilities	<u>12,355,499</u>	<u>28,442,038</u>
Total liabilities	<u>17,084,894</u>	<u>33,368,643</u>
Deferred inflows of resources		
Property taxes levied for a subsequent period	13,200,000	13,500,000
Deferred pension amounts	5,974,094	5,204,269
Deferred OPEB amounts	4,994,517	2,674,806
Total deferred inflows of resources	<u>24,168,611</u>	<u>21,379,075</u>
Net position		
Investment in capital assets	20,470,617	21,382,237
Restricted for capital acquisitions	-	56,286
Unrestricted (deficit)	(690,556)	(17,595,775)
Total net position	<u>\$ 19,780,061</u>	<u>\$ 3,842,748</u>

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,	
	2021	2020
Operating revenues		
Passenger fares	\$ 87,486	\$ 516,179
Toledo Board of Education and other contracts	848,438	1,405,532
Auxiliary transportation revenue	40,742	37,747
Total operating revenues	<u>976,666</u>	<u>1,959,458</u>
Operating expenses		
Labor	13,465,128	12,915,002
Fringe benefits	6,512,673	5,050,473
Change in pension and OPEB	(12,497,431)	1,587,922
Materials and supplies	6,650,338	5,808,377
Services	3,850,856	2,201,916
Fuel	1,327,564	861,980
Taxes	292,350	280,355
Claims and insurance	783,779	480,899
Utilities	374,275	348,159
Bad debts	104,552	-
Miscellaneous	38,997	21,862
Total operating expenses	<u>20,903,081</u>	<u>29,556,945</u>
Operating loss before depreciation	(19,926,415)	(27,597,487)
Depreciation	<u>2,232,944</u>	<u>2,674,715</u>
Operating loss	<u>(22,159,359)</u>	<u>(30,272,202)</u>
Nonoperating revenues		
Property taxes	11,831,180	11,870,693
Federal operating and preventive maintenance assistance	23,206,278	21,525,182
State operating and preventive maintenance grants and assistance	2,480,680	2,700,759
Investment income	1,203	10,510
Net gain on disposal of capital assets	139,770	33,630
Nontransportation revenues	167,536	1,362,366
Total nonoperating revenues	<u>37,826,647</u>	<u>37,503,140</u>
Net income before capital grants	15,667,288	7,230,938
Capital grants	<u>270,025</u>	<u>928,236</u>
Change in net position	15,937,313	8,159,174
Net position, beginning of year	<u>3,842,748</u>	<u>(4,316,426)</u>
Net position, end of year	<u>\$ 19,780,061</u>	<u>\$ 3,842,748</u>

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	
	2021	2020
Cash flows from operating activities		
Receipts from fares and contracts	\$ 1,324,987	\$ 3,264,278
Payments to suppliers	(13,827,873)	(11,158,755)
Payments for labor and employee benefits	(20,071,663)	(18,157,070)
Net cash used in operating activities	<u>(32,574,549)</u>	<u>(26,051,547)</u>
Cash flows from noncapital financing activities		
Property tax receipts	11,831,180	11,870,693
Federal operating and preventive maintenance assistance	27,987,109	15,455,443
State operating and preventive maintenance grants and assistance	2,480,680	2,700,759
Nontransportation receipts	167,536	1,362,366
Net cash provided by noncapital financing activities	<u>42,466,505</u>	<u>31,389,261</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,365,472)	(1,065,228)
Capital grants received	270,025	928,236
Proceeds from sale of capital assets	183,918	33,630
Net cash (used in) provided by capital and related financing activities	<u>(911,529)</u>	<u>(103,362)</u>
Cash flows from investing activities		
Interest on investments	1,203	10,510
Net change in cash and cash equivalents	8,981,630	5,244,862
Cash and cash equivalents, beginning of year	9,296,266	4,051,404
Cash and cash equivalents, end of year	<u>\$ 18,277,896</u>	<u>\$ 9,296,266</u>
Cash and cash equivalents from Statements of Net Position:		
Cash and cash equivalents	\$ 18,277,896	\$ 9,239,980
Restricted cash and cash equivalents for capital acquisitions	-	56,286
Total cash and cash equivalents	<u>\$ 18,277,896</u>	<u>\$ 9,296,266</u>

continued...

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2021	2020
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (22,159,359)	\$ (30,272,202)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,232,944	2,674,715
Bad debts	104,552	-
Changes in assets and liabilities:		
Accounts receivable - trade and other	348,321	1,321,057
Inventories	(129,571)	495,605
Prepays	(276,795)	(29,467)
Deferred outflows - pension and OPEB	2,008,820	4,301,788
Accounts payable	(40,398)	(1,672,122)
Accrued liabilities and other	(156,812)	(140,818)
Unearned revenue	-	(16,237)
Net pension and OPEB asset/liabilities	(17,595,787)	(10,151,612)
Deferred inflows - pension and OPEB	3,089,536	7,437,746
Net cash used in operating activities	<u>\$ (32,574,549)</u>	<u>\$ (26,051,547)</u>

concluded

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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 2020 that will be collected in 2021 are recorded as a receivable and deferred inflow of resources. Deferred inflows arise 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 Prepaids

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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

The Authority had no expenditures in excess of appropriations at the legal level of appropriation for the years ended December 31, 2021 and 2020.

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. There were no restricted assets at December 31, 2021.

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

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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Revenue

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

Federal and state operating and preventive maintenance assistance provided under government grants is recognized as allowable costs are reported to the grantor agencies for reimbursement. For this purpose, the Authority considers these revenues to be susceptible to accrual if they are (1) incurred prior to the Authority's fiscal year-end, and (2) reported to grantor agencies prior to the Authority closing its books for the year, and submitting draft financial statements to the State of Ohio. Revenue arising from the grants is presented as nonoperating income.

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

In 2020, contrary to Ohio Law, the Authority's appropriations exceed the amount certified as available.

Reclassification

The Change in Pension and OPEB was reclassified from Fringe Benefits to be presented in a separate line on the 2020 Statement of Revenues, Expenses and Changes in Net Position to conform with the 2021 presentation.

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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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, 2021 and 2020 as follows:

	2021	2020
Book/carrying value of deposits:		
Cash and cash equivalents	\$ 18,277,896	\$ 9,239,980
Restricted cash and cash equivalents for capital acquisitions	-	56,286
Total book balance	\$ 18,277,896	\$ 9,296,266
Bank balance:		
Covered by federal depository insurance	\$ 672,332	\$ 717,639
Covered by pledged pooled collateral	18,091,076	9,091,410
Total bank balance	\$ 18,763,408	\$ 9,809,049

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

3. ACCOUNTS AND INTERGOVERNMENTAL RECEIVABLES

Accounts and intergovernmental receivables at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Intergovernmental:		
Capital grants	\$ 49,180	\$ 918,423
Federal operating and preventive maintenance assistance	3,675,662	7,407,250
	<u>3,724,842</u>	<u>8,325,673</u>
Accounts:		
Trade and other	427,507	1,049,936
Less allowance for doubtful receivables	20,000	9,556
Total accounts receivable, net	<u>\$ 407,507</u>	<u>\$ 1,040,380</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance January 1, 2021	Additions	Deductions	Balance December 31, 2021
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 743,244	\$ -	\$ -	\$ 743,244
Construction in progress	270,467	595,894	270,467	595,894
Total capital assets not being depreciated	<u>1,013,711</u>	<u>595,894</u>	<u>270,467</u>	<u>1,339,138</u>
Capital assets, being depreciated:				
Buildings	22,585,774	331,942	-	22,917,716
Land improvements	1,726,830	62,420	-	1,789,250
Transit stations	7,375,978	-	792,983	6,582,995
Transportation equipment	25,532,790	270,912	1,722,052	24,081,650
Other equipment	13,144,148	374,771	169,094	13,349,825
Total capital assets being depreciated	<u>70,365,520</u>	<u>1,040,045</u>	<u>2,684,129</u>	<u>68,721,436</u>
Less accumulated depreciation for:				
Buildings	10,444,927	507,422	-	10,952,349
Land improvements	1,636,999	15,159	-	1,652,158
Transit stations	5,702,067	263,584	792,983	5,172,668
Transportation equipment	20,413,811	1,058,570	1,677,904	19,794,477
Other equipment	11,799,190	388,209	169,094	12,018,305
Total accumulated depreciation	<u>49,996,994</u>	<u>2,232,944</u>	<u>2,639,981</u>	<u>49,589,957</u>
Total capital assets being depreciated, net	<u>20,368,526</u>	<u>(1,192,899)</u>	<u>44,148</u>	<u>19,131,479</u>
Total capital assets, net	<u>\$ 21,382,237</u>	<u>\$ (597,005)</u>	<u>\$ 314,615</u>	<u>\$ 20,470,617</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
Business-type 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

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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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 parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml> 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, 2020 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 entities. At December 31, 2020, the Authority's proportion was 0.084389%, which was a decrease of 0.000113% from its proportion measured as of December 31, 2019 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:

	2021	2020
Net pension liability - all employers	\$ 14,807,822,857	\$ 19,557,154,298
Proportion of the net pension liability	0.083439%	0.084389%
Proportion share of net pension liability	\$ 12,355,499	\$ 16,680,058
Pension expense	\$ (1,000,227)	\$ 4,175,063

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

	2021	2020
Deferred Outflows of Resources		
Changes in assumptions	\$ -	\$ 890,910
Employer contributions subsequent to the measurement date	1,645,270	1,643,032
Total	<u>\$ 1,645,270</u>	<u>\$ 2,533,942</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 4,815,813	\$ 3,327,297
Change in proportionate share	641,440	1,666,076
Difference between expected and actual experience	516,841	210,896
Total	<u>\$ 5,974,094</u>	<u>\$ 5,204,269</u>

\$1,645,270 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, 2021. 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:

2022	\$ (2,650,886)
2023	(723,838)
2024	(1,963,089)
2025	(636,281)
	<u>\$ (5,974,094)</u>

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

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 retire ten years after January 7, 2013
Group C	Members not in other Groups and members hired on or after January 7, 2013

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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	<p>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.</p> <p>Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.</p> <p>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.</p>
Cost-of-Living Adjustments	<p>Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months:</p> <p>Pre 1/7/2013 - an annual 3% cost-of-living adjustment is provided on the member's base benefit.</p> <p>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%.</p>
Contribution Rates	<p>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.</p>
Measurement	<p>December 31, 2020.</p>
Actuarial Assumptions	<p>Valuation Date: December 31, 2020 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%</p> <p>Cost-of-Living Adjustments: Pre 1/7/13 retirees 3.00% Simple; Post 1/7/13 retirees .50% simple through 2021, 2.15 percent simple thereafter</p> <p>In October 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2/15% simple.</p>

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Notes to Financial Statements

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	<p>The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The 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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. The following table displays the Board approved target asset allocation as of December 31, 2020 and the long-term expected real rates of return:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Asset Class</th> <th style="text-align: center;">Target Allocation</th> <th style="text-align: center;">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">25.0%</td> <td style="text-align: center;">1.32%</td> </tr> <tr> <td>Domestic Equity</td> <td style="text-align: center;">21.0%</td> <td style="text-align: center;">5.64%</td> </tr> <tr> <td>Real Estate</td> <td style="text-align: center;">10.0%</td> <td style="text-align: center;">5.39%</td> </tr> <tr> <td>Private Equity</td> <td style="text-align: center;">12.0%</td> <td style="text-align: center;">10.42%</td> </tr> <tr> <td>International Equity</td> <td style="text-align: center;">23.0%</td> <td style="text-align: center;">7.36%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">9.0%</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td style="text-align: right;">Total</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">100.0%</td> <td style="text-align: center; border-top: 1px solid black; border-bottom: 3px double black;">5.43%</td> </tr> </tbody> </table> <p>*Returns presented as arithmetic means</p>			Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	25.0%	1.32%	Domestic Equity	21.0%	5.64%	Real Estate	10.0%	5.39%	Private Equity	12.0%	10.42%	International Equity	23.0%	7.36%	Other Investments	9.0%	4.75%	Total	100.0%	5.43%
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	<p>During 2020, 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 11.7% for 2020.</p>		
Discount Rate	<p>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.</p>		
Sensitivity of Authority's proportionate share of Net Pension Liability to	<p>1% Decrease (6.2%)</p> <p>\$23,568,180</p>	<p>Current Discount Rate (7.2%)</p> <p>\$ 12,355,499</p>	<p>1% Increase (8.2%)</p> <p>\$3,066,696</p>

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Notes to Financial Statements

Defined Contribution Plans

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the annuitization of the benefit (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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.

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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 2021 and 2020. The Authority's contributions, which represent 100% of required employer contributions, for the year ended December 31, 2021 was \$1,645,270.

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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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 Authority does receive the benefit of employees' services in exchange for compensation including OPEB.

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

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

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Notes to Financial Statements

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. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverages, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

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.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and reemployed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

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 with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. 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.

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Notes to Financial Statements

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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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. For 2021, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. 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 2021 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority was not required to make a contribution to fund health care during 2021.

Net OPEB Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, by incorporating the expected value of health care cost accruals, the actual health care payment, 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:

	2021	2020
Net OPEB (asset) liability - all employers	\$ (1,781,579,865)	\$ 13,812,597,868
Proportion of the net OPEB liability	0.084714%	0.085154%
Proportionate share of the net OPEB liability	\$ (1,509,248)	\$ 11,761,980
OPEB Expense	\$ (11,596,499)	\$ 2,224,674

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Notes to Financial Statements

At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	2020
Deferred Outflows of Resources		
Difference between expected and actual experience	\$ -	\$ 315
Changes in assumptions	741,963	1,861,796
	<u>741,963</u>	<u>1,861,796</u>
Total	<u>\$ 741,963</u>	<u>\$ 1,862,111</u>
Deferred Inflows of Resources		
Difference between expected and actual experience	\$ 1,364,715	\$ 1,075,687
Net difference between projected and actual experience	803,846	598,917
Change in proportionate share	380,523	1,000,202
Changes in assumptions	2,445,433	-
	<u>2,445,433</u>	<u>-</u>
Total	<u>\$ 4,994,517</u>	<u>\$ 2,674,806</u>

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:	
2022	\$ (2,403,107)
2023	(1,431,406)
2024	(356,096)
2025	(61,945)
Total	<u>\$ (4,252,554)</u>

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.

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Notes to Financial Statements

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Experience study	5 year period ended December 31, 2015
Wage Inflation	3.25%
Projected salary increases, including inflation	3.25% - 10.75% (includes inflation)
Single discount rate:	
Current measurement date	6.00%
Prior measurement date	3.16%
Investment rate of return	
Current measurement date	6.00%
Prior measurement date	6.00%
Health care cost trend rate	
Current measurement date	8.5% initial, 3.5% ultimate in 2035
Prior measurement date	10.5% initial, 3.5% ultimate in 2030
Municipal bond	
Current measurement date	2.00%
Prior measurement date	2.75%
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.

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Notes to Financial Statements

During 2020, 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 10.5% for 2020.

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 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 weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays the Board-approved target asset allocation as of December 31, 2020 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return* Return*
Fixed Income	34.0%	1.07%
Domestic Equities	25.0%	5.64%
Real Estate Investment Trust	7.0%	6.48%
International Equities	25.0%	7.36%
Other Investments	9.0%	4.02%
Total	100.0%	4.43%

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Discount Rate - A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. 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 2.00 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 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which the projected health care payments are fully funded.

Change in Benefit Terms - On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020, measurement date health care valuation which are reported by the Authority at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

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

The following table presents the Authority's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Authority's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00 percent) or one-percentage-point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Authority's proportionate share of net OPEB asset	\$ (375,283)	\$ (1,509,248)	\$ (2,441,257)

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

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

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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 2021 is 8.50 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 asset	\$ (1,546,031)	\$ (1,509,248)	\$ (1,468,094)

7. RISK MANAGEMENT

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. OTRP self-insures the first \$250,000 of any qualified property loss and the first \$1,000,000 of any qualified casualty loss subject to a \$1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately \$200,000,000 for qualified property losses and \$10,000,000 or qualified casualty losses. 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).

The Authority participates in 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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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 Authority had no accrued claims liability at December 31, 2021. Accrued claims liability at December 31, 2020 amounted to approximately \$307,000 .

The Authority provides medical and life insurance to its employees by participating in the self-insured pooled network offered by the Health Transit Pool of Ohio.

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from the previously noted risk have not exceeded commercial insurance coverage in the past three fiscal years.

8. PROPERTY TAX REVENUES

The Authority is subsidized by two annual property tax levies consisting of a 1.0 mill levy in effect through 2030 (collectible through 2031) 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 2021, for property located within the Authority’s operating district.

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 2021 and 2020 had a lien and levy date of December 2020 and 2019, respectively.

In November, 2021, voters passed to repeal the Authority's funding through a 2.5 mill property tax and replace it with a .5 percent transit and transportation infrastructure sales tax for ten years, effective April 2022.

9. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2021 and 2020:

	2021	2020
FTA preventive maintenance assistance and ADA	\$ 2,068,567	\$ 2,060,046
FTA operating assistance	4,440,542	1,494,939
FTA CARES Act funding	16,697,169	17,970,197
Total	\$ 23,206,278	\$ 21,525,182

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2021 and 2020:

	2021	2020
State fuel tax reimbursement	\$ 286,216	\$ 274,530
ODT operating assistance	2,194,464	2,426,229
Total	\$ 2,480,680	\$ 2,700,759

10. UNRESTRICTED DEFICIT

The Authority's unrestricted deficit consists of the following for the years ended December 31, 2021 and 2020:

	2021	2020
Pension liability fund deficit	\$ (16,684,323)	\$ (19,350,385)
OPEB liability fund deficit	(2,743,306)	(12,574,675)
Undesignated	18,737,073	14,329,285
Total unrestricted deficit	\$ (690,556)	\$ (17,595,775)

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 \$289,000 and \$148,000 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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. A new agreement was ratified May 1, 2022 and pending signature. 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)

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June of 2021 while the national state of emergency continues. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Authority. The impact on the Authority's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

The Authority's investment portfolio and the investments of the pension and other employee benefit plan in which the Authority participates have fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

13. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, "Leases", which addresses accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority is evaluating the impact this standard will have on the financial statements when adopted for the year ending December 31, 2022.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

In May 2019, the GASB issued Statement No. 91, "Conduit Debt Obligations", which addresses accounting and financial reporting for conduit debt obligations issued by governments. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The Authority is evaluating the impact this standard will have on the financial statements when adopted for the year ending December 31, 2022.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Required Supplementary Information

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

	Year Ended December 31, 2021	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	0.083439%	0.084389%	0.095678%	0.084389%	0.107329%	0.100752%
Authority's proportionate share of the net pension liability	\$ 12,355,499	\$ 16,680,058	\$ 26,049,485	\$ 15,324,957	\$ 24,283,655	\$ 17,386,226
Authority's covered-employee payroll	\$ 11,735,943	\$ 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	105.28%	128.47%	202.06%	109.91%	170.91%	117.53%
Plan fiduciary net position as a percentage of the total pension liability	86.88%	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, 2021	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	\$ 1,645,270	\$ 1,643,032	\$ 1,817,746	\$ 1,804,846	\$ 1,812,560	\$ 1,704,966
Contributions in relation to the contractually required contribution	<u>(1,645,270)</u>	<u>(1,643,032)</u>	<u>(1,817,746)</u>	<u>(1,804,846)</u>	<u>(1,812,560)</u>	<u>(1,704,966)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 11,751,929	\$ 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%	14.0%	13.0%	12.0%

Note: Information prior to 2016 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Required Supplementary Information

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

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Authority's proportion of the net OPEB (asset) liability	0.084714%	0.085154%	0.096215%	0.099970%
Authority's proportionate share of the net OPEB (asset) liability	\$ (1,509,248)	\$ 11,761,980	\$ 12,544,165	\$ 10,856,006
Authority's covered-employee payroll	\$ 11,735,943	\$ 12,983,900	\$ 12,891,757	\$ 13,943,074
Authority's proportionate share of the net OPEB (asset) liability as a percentage of its covered-employee payroll	-12.86%	90.59%	97.30%	77.86%
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	115.57%	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, 2021	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	\$ 11,751,929	\$ 11,735,943	\$ 12,983,900	\$ 12,891,757
Contributions as a percentage of covered employee payroll	0.0%	0.0%	0.0%	0.0%

Note: Information prior to 2018 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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 2014-2021.

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.

2021: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Required Supplementary Information

For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non-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 non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020, measurement date health care valuation which are reported by the Authority at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 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%

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%

2021: 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 3.16% to 6.00%
- Change in health care cost trend rate from 10.5% to 8.5%
- The Municipal Bond Rate changed from 2.75% to 2.00%



TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Provided Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Direct Program</i>			
<u>Federal Transit Cluster:</u>			
Federal Transit Formula Grants	20.507		\$23,035,681
Buses and Bus Facilities Formula, Competitive, and Low or no Emissions Programs	20.526		<u>30,020</u>
Total Federal Transit Cluster			<u>23,065,701</u>
<u>Transit Services Programs Cluster:</u>			
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	\$91,020	<u>375,316</u>
Total Transit Services Program Cluster		<u>91,020</u>	<u>375,316</u>
Public Transportation Innovation	20.530	15,286	<u>15,286</u>
Total U.S. Department of Transportation		<u>106,306</u>	<u>23,456,303</u>
Total Expenditures of Federal Awards		<u>\$106,306</u>	<u>\$23,456,303</u>

The accompanying notes are an integral part of this schedule.

**TOLEDO AREA REGIONAL TRANIST AUTHORITY
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Toledo Area Regional Transit Authority, Lucas County, Ohio (the Authority) as of and for the years ended December 31, 2021 and 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 September 12, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Authority.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

Authority's Response to Finding

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

September 12, 2022



**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

Opinion on the Major Federal Program

We have audited Toledo Area Regional Transit Authority, Lucas County, Ohio's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Toledo Area Regional Transit Authority's major federal program for the year ended December 31, 2021. Toledo Area Regional Transit Authority's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Toledo Area Regional Transit Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



Keith Faber
Auditor of State
Columbus, Ohio

September 12, 2022

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**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2021**

1. SUMMARY OF AUDITOR'S RESULTS
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(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)?	No
(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?	No

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

FINDING NUMBER 2021-001

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 statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting a financial statements 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:

- State operating and preventive maintenance grants and assistance in the amount of \$1,461,412 was incorrectly classified as property tax revenue; and
- Accounts payable and fringe benefits expenses were overstated in the amount of \$686,026.

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 have been adjusted to reflect this change. In addition to the adjustments noted above, we also identified additional misstatements ranging from \$209,234 to \$240,000, 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

3. FINDINGS FOR FEDERAL AWARDS

None



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2021**

Finding Number	Finding Summary	Status	Additional Information
2020-001	Significant deficiency due to errors in financial reporting.	Not corrected and reissued as Finding 2021-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements prior to filing the Authority's annual report.
2020-002	Ohio Rev. Code § 5705.39 due to appropriations exceeding amount certified as available by the budget commission.	Fully corrected.	

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CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2021

Finding Number: 2021-001
Planned Corrective Action: The Authority has updated 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.

The Authority will engage services of a CPA company to facilitate and improve final review and compilation of the financial statements and notes to the financial statements.

Anticipated Completion Date: 9/30/22
Responsible Contact Person: Sophie Giviyan, CFO

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 9/27/2022

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

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