OHIO AUDITOR OF STATE
KEITH FABER

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY
DECEMBER 31, 2020

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OHIO AUDITOR OF STATE
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INDEPENDENT AUDITOR'S REPORT

Allen County Regional Transit Authority
Allen County
200 East High Street
Lima, Ohio 45801

To the Members of the Board of Trustees:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the ACRTA. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and *Other Information*

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2022, on our consideration of the ACRTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ACRTA's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2022

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ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020
(UNAUDITED)

As management of the Allen County Regional Transit Authority, Allen County, Ohio (ACRTA), we offer readers of the ACRTA's basic financial statements this narrative overview and analysis of the financial activities of the ACRTA for the year ended December 31, 2020. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights for 2020

For the year ended December 31, 2020, the ACRTA has a net position of $6.87 million. This net position results from the difference between total assets and deferred outflows of resources related to Pensions and OPEB of $11.15 million and total liabilities and deferred inflows of resources related to Pensions and OPEB of $4.28 million.

Current assets of $3.16 million consist of non-restricted Cash and Cash Equivalents of $2.05 million; Intergovernmental/Accounts Receivable of $0.55 million, Sales Tax Receivable of $0.47 million and inventory of $0.09 million.

Current liabilities of $0.18 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

Basic Financial Statements and Presentation

The financial statements presented by the ACRTA are the Statement of Net Position, the Statement of Revenues, Expenses and Change in Net Position and the Statement of Cash Flows. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. The ACRTA is structured as a single enterprise fund with revenues recognized when earned and measurable, not when received. Expenses are recognized when they are incurred, not when paid. Capital assets are capitalized and depreciated, except land, over their estimated useful lives.

The Statement of Net Position presents information on all the ACRTA's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the ACRTA is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets without a corresponding increase to liabilities results in increased net position, which indicate improved financial position.

The Statement of Revenues, Expenses and Change in Net Position present information showing how the ACRTA's net position changed during the year. This statement summarizes operating revenues and expenses along with non-operating revenues and expenses. In addition, this statement lists federal and state capital grant revenues.

The Statement of Cash Flows allows financial statement users to assess the ACRTA's adequacy or ability to generate sufficient cash flows to meet its obligations in a timely manner. The statement is classified into four categories: 1) Cash flows from operating activities, 2) Cash flows from non-capital financing activities, 3) Cash flows from capital and related financing activities and 4) Cash Flows from investing activities.

Notes to the Financial Statements

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

Net Position

The largest portion of the ACRTA's net position reflect investments in capital assets consisting of buses, an operating facility, and equipment less accumulated depreciation. The ACRTA uses these capital assets to provide public transportation services in Allen County, Ohio and in adjacent areas. The table below provides a summary of the ACRTA's net position:

(Table 1)
Allen County Regional Transit Authority
Condensed Summary of Net Position
For the Years Ended December 31, 2020 and 2019

	2020	2019
Current Assets	$ 3,161,053	$ 1,080,062
Net Pension Asset	0	0
Capital Assets (Net of Accumulated Depreciation)	6,687,716	6,957,607
Deferred Outflows of Resources-Pensions	788,842	498,792
Deferred Outflows of Resources-OPEB	511,550	85,155
Total Assets & Deferred Outflows	11,149,161	8,621,616
Current Liabilities	183,942	125,932
Net Pension Liability	1,767,842	1,362,278
Net OPEB Liability	1,274,765	677,045
Deferred Inflows of Resources-Pensions	672,209	647,476
Deferred Inflows of Resources-OPEB	376,530	386,135
Total Liabilities & Deferred Inflows	4,275,288	3,198,866
Net Position		
Invested in Capital Assets	6,687,716	6,957,607
Unrestricted	186,157	(1,534,857)
Total Net Position	$ 6,873,873	$ 5,422,750

During fiscal year 2020, the ACRTA's current assets increased as we received additional operating support and booked our first full year of collections of a dedicated sales tax approved by the voters. Capital assets decreased due to annual depreciation charges being more than capital replacements.

During fiscal year 2019, the ACRTA's current assets increased as we received additional operating support and began collections of a dedicated sales tax approved by the voters. Capital assets increased due to annual depreciation charges being less than capital replacements.

Statement of Revenues, Expenses and Change in Net Position

Table 2 reflects the statement of revenues, expenses, and changes in net position.

(Table 2)
Allen County Regional Transit Authority
Condensed Summary of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2020 and 2019

Revenues:	**2020**	**2019**
Passenger Fares	$ 131,422	$ 156,269
Special Services & Other	264,029	508,009
Sales Tax Revenues	1,753,040	490,001
Local Operating Funds	0	121,719
State Operating Funds	218,180	468,734
Federal Operating Funds	2,194,149	1,480,799
Auxiliary Revenues	128,185	184,894
Other Revenues	219,682	157,671
State Capital Funds	185,357	0
Federal Capital Funds	446,718	1,507,602
Total Revenues	5,540,762	5,075,698
Expenses:		
Operating Expenses Net of Depreciation	3,186,936	2,408,849
Net Interest Expense	736	10,120
Depreciation Expense	901,967	771,238
Total Expenses	4,089,639	3,190,207
Increase in Net Position During the Year	1,451,123	1,885,491
Net Position, Beginning of Year	5,422,750	3,537,259
Net Position, End of Year	$ 6,873,873	$ 5,422,750

During fiscal year 2020 the ACRTA's revenues increased as we received more operating support, including funds from the CARES Act which support the continuance of full transit service, and recorded a full year of the dedicated sales tax funding approved by the voters. Operating expenses increased as we began to restore services previously reduced. Depreciation expense increased as new assets placed into service began to depreciate.

During fiscal year 2019 the ACRTA's revenues increased as we received more operating support and began collecting dedicated sales tax funding during the last quarter. Operating expenses decreased as we adjusted services provided to meet financial resources available early in the year before the approval of the sales tax. Interest Expense decreased and we paid off the bank loan.

Financial Operating Results

Revenues - For purposes of this presentation, the ACRTA groups its Revenues into the following categories:

Operating Revenues

- **Passenger Fares** – Fares paid by the public to ride the public bus service. For 2020 these decreased as ridership was negatively impacted by the national health crisis.
- **Special Service** – Fares paid by agencies/others on behalf of the rider. For 2020 these were down agencies used alternate transit providers and demand was reduced by the national health crisis.
- **Other Transportation** – Revenues generated by providing event transportation and other misc. transportation services. These were down in 2020.

Non-Operating Revenues

- **Auxiliary Revenues** – Funds received for advertising on vehicles, Greyhound commissions, vending and lottery commissions and other items. These decreased in 2020.
- **Other Agency Revenues** – Rental income, sale of maintenance services, fee on sale of fuel, scrap sales and other misc. revenues. These were up in 2020 and included some BWC rebates.
- **Sales Tax Revenues** – This reflects a voter approved dedicated sales tax for public transit in Allen County of 1/10 of a percent. It was approved for a 10 year term in May 2019, with collections stating on eligible sales in October 2019. 2020 was our first full year of collections.
- **Operating Assistance** – Federal and State funds granted to the ACRTA to support public transit operations. These were up for 2020 and include funding from the federal government through the CARES Act to help maintain public transit services.
- **State Capital Funds** – ODOT funds for the purchase of capital assets. These were new in 2020 reflecting a grant for capital purchases.
- **Federal Capital Funds** – FTA funds for the purchase of capital assets. These were down in 2020 reflecting decreased overall capital purchases.

Operating Expenses - For purposes of this presentation, the ACRTA groups its Operating Expenses into the following categories:

- **Labor and Fringe Benefits** - Personnel costs include bus operators, dispatchers, mechanics, and administrative staff. Benefits include PERS, Medicare, workers compensation, unemployment, paid time off, and limited insurance benefits. This category was higher in 2020 as we operated more service than in 2019 and increase base pay for professional bus operators.
- **Services** - Items under this category include attorney, audit, management fees, planning, external vehicle maintenance, facility maintenance, as well as miscellaneous professional services and the 1% sales tax collection fee retained by the State. This line was down in 2020 as we no longer contracted for executive management services.
- **Materials and Supplies** – Fuel, tires, vehicle repair parts and supplies make up this line item. Costs were up in 2020 related to increased bus services as we worked to restore previously reduced services.

- **Utilities** - These costs include natural gas, electric, water, and communication services. This category was down in 2020.
- **Casualty and Liability** - The ACRTA is a member of the Ohio Transit Risk Pool, which sets premiums based on service factors and claims experience. Costs were down in 2020 as charges are based on prior year service levels, which had reduced.
- **Taxes** – This represents the cost of any taxes paid by the ACRTAf including taxes on property owned and fuel purchased.
- **Miscellaneous** - This category summarizes various expenses not included in other expense categories.
- **Depreciation** - This category summarizes the annual cost of capital used on a straight line basis.

Capital Assets

ACRTA investment in capital assets as of December 31, 2020, amounts to $6,687,716 (net of accumulated depreciation). This investment in capital assets includes: Land, Facilities, Revenue Vehicles, Support Vehicles, and Equipment & Furnishings.

Additional information concerning ACRTA capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

Contacting ACRTA Financial Management

This financial report is designed to provide our citizens, customers, and creditors, with a general overview of ACRTA finances and to show ACRTA accountability for the money it receives. Questions concerning the information in this report or to request additional information should be directed to Board Director, Allen County Regional Transit Authority, 200 East High Street, Lima, Ohio 45801.

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ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2020

Assets:	
Current Assets:	
Cash and Cash Equivalents	$2,050,645
Accounts Receivable	7,840
Intergovernmental Receivable	541,205
Sales Tax Receivable	474,125
Material and Supplies Inventory	87,238
Total Current Assets	3,161,053
Capital Assets:	
Work In Process - Non Depreciable	100,539
Land - Non Depreciable	955,569
Facilites	3,640,324
Revenue Vehicles	7,385,295
Support Vehicles	49,771
Equipment & Furnishings	976,014
Total Capital Assets	13,107,512
Less: Accumulated Depreciation	(6,419,796)
Total Capital Assets, Net of Accumulated Depreciation	6,687,716
Total Assets	9,848,769
Deferred Outflows of Resources:	
Pension	788,842
OPEB	511,550
Total Deferred Outflow of Resources	1,300,392
Liabilities:	
Current Liabilities:	
Accounts Payable	14,692
Accrued Payroll and Benefits	130,941
Compensated Absences Payable	25,748
Other Payable	12,561
Total Current Liabilities	183,942
Long-Term Liabilities:	
Net Pension Liability	1,767,842
Net OPEB Liability	1,274,765
Total Long-Term Liabilties	3,042,607
Total Liabilities	3,226,549
Deferred Inflows of Resources:	
Pension	672,209
OPEB	376,530
Total Deferred Inflows of Resources	1,048,739
Net Position:	
Net Investment in Capital Assets	6,687,716
Unrestricted	186,157
Total Net Position	$6,873,873

See accompanying notes to the basic financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating Revenues	
Passenger Fares	$131,422
Special Service	263,071
Other Transportation	958
Total Operating Revenues	395,451
Operating Expenses	
Labor and Fringes	1,994,984
Services	378,205
Materials and Supplies	519,742
Utilities	41,355
Casualty and Liability Insurance	133,784
Taxes	6,879
Miscellaneous	111,987
Depreciation	901,967
Total Operating Expenses	4,088,903
Operating Loss	(3,693,452)
Non-Operating Revenues / (Expenses)	
Interest Income	144
Interest Expense	(736)
Auxiliary Revenue	128,185
Other Agency Revenues	219,538
Sales Tax Revenues	1,753,040
State Grants and Assistance	218,180
Federal Operating Assistance	2,194,149
State Capital Funds	185,357
Federal Capital Funds	446,718
Total Non-Operating Revenues / (Expenses)	5,144,575
Increase in Net Position	1,451,123
Net Position at Beginning of Year	5,422,750
Net Position at End of Year	$6,873,873

See accompanying notes to the basic financial statements.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:	
Cash Received from Customers	$431,209
Cash Payments to Suppliers for Goods and Services	(1,187,614)
Cash Payments to Employees for Services	(1,632,950)
Net Cash used for Operating Activities	(2,389,355)
Cash Flows from Non-Capital Financing Acitivities:	
Receipts from Non-Capital State and Federal Grants	2,480,309
Receipts from Other Financing Activities	2,102,749
Net Cash Provided by Financing Activities	4,583,058
Cash Flows from Capital and Related Financing Activities:	
Interest Expense	(736)
Receipts from Capital Grants	406,354
Purchase of Capital Assets	(632,076)
Net Cash Used for Financing Activities	(226,458)
Cash Flows from Investing Activities:	
Interest income	144
Net Cash Provided by Investing Activities	144
Net Increase in Cash	1,967,389
Cash and Cash Equivalents, Beginning of Year	83,256
Cash and Cash Equivalents, End of Year	2,050,645
Operating Loss	(3,693,452)
Adjustments:	
Depreciation	901,967
Change in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts Receivable	35,758
Materials and Supplies Inventory	6,395
Deferred Outlfows Pension	(290,050)
Deferred Outlfows OPEB	(426,395)
Increase (Decrease) in Liabilities:	
Accounts Payable	(4,892)
Accrued Payroll and Benefits	69,044
Compensated Absences	(8,977)
Other Payables	2,835
Net Pension Liability	405,564
Net OPEB Liability	597,720
Deferrred Inflows Pension	24,733
Deferrred Inflows OPEB	(9,605)
Total Adjustments	402,130
Net Cash Used for Operating Activities	($2,389,355)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE ACTRA AND REPORTING ENTITY

The Allen County Regional Transit Authority (ACRTA) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. It was created pursuant to Sections 306.30 through 306.71 of the Ohio Revised Code. As a political subdivision, it is distinct from, and is not an agency of, the State of Ohio or any other local governmental unit. The ACTRA is not subject to federal or state income taxes. ACRTA operates under a Board of Trustees with an appointed Executive Director handling the daily operations. The ACTRA is responsible for the safe and efficient operation and maintenance of regional transportation within Allen County.

For financial reporting purposes, the ACRTA's basic financial statements include all funds, agencies, boards, commissions, and departments for which the ACRTA is financially accountable. Financial accountability, as defined by the GASB, exists if the ACRTA appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the ACRTA. The ACRTA may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the ACRTA. The ACRTA also took into consideration other organizations for which the nature and significance of their relationship with the ACRTA are such that exclusion would cause the ACRTA's basic financial statements to be misleading or incomplete. The ACRTA has no component units.

ACRTA participates in a public entity risk pool. They are a member of The Ohio Transit Risk Pool, a self-insurance pool. Note 7 to the financial statements provides additional information for this entity

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of ACRTA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the ACRTA's accounting policies are described below.

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

The ACTRA will continue applying all applicable pronouncements issued by the GASB.

A. Basis of Presentation

The ACRTA's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows. The ACRTA uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses, and change in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the ACRTA finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The ACRTA's financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position of cash flows. All transactions are reported in a single enterprise fund.

D. Budgetary Accounting and Control

ACRTA's annual budget is prepared on the accrual basis of accounting as permitted by law. ACRTA maintains budgetary control by not permitting total expenditures to exceed total appropriations without approval of the Board of Trustees.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in checking/savings accounts and are stated at cost, which approximates market value. Cash and cash equivalents represent the funds that are used for general operations. For purposes of the statement of cash flows, ACRTA considers all highly liquid instruments with maturity of three months or less at the time they are purchased to be cash equivalents.

F. Recognition of Receivables and Revenue

Passenger fares are recorded as revenue at the time services are provided and revenues pass through the fare box. Grants and assistance revenues are from reimbursable, non-reimbursable and entitlement type grant programs. These grant programs involve transactions that are categorized as either government mandated or voluntary non-exchange transactions. Grant and assistance revenues from government mandated and voluntary non-exchange transaction are recorded as receivable and non-operating revenue when all eligibility requirements are met. Grants and assistance revenues received before the eligibility requirements are met are deferred inflows of resources. Revenue from sales taxes is recognized in the year in which the sales are made.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position may report deferred outflow of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an inflow of resources (expense) until that time. For the ACRTA, deferred outflows of resource are reported on the statement of net position for pension and OPEB. In addition to the liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the ACRTA, deferred inflows of resources are reported for pension and OPEB. Deferred outflows and inflows for pension are explained in Note 5 and for OPEB in Note 6.

H. Capital Assets

Capital Assets are recorded at cost. Current year depreciation expense is recorded using the straight–line method over the estimated useful lives of the assets as follows.

Facilities & Improvements	5 to 40 years
Revenue Vehicles	3 to 12 years
Support Vehicles	10 years
Equipment & Furnishings	4 to 10 years

When assets acquired with capital grants are disposed of, that have a value of more than $5,000, ACRTA must request disposition instruction from the granting federal agency.

I. Material and Supplies Inventory

Inventory consists of two types of fuel for buses and for sale to other local entities, as well as some vehicle parts held in stock for future repair needs. It is stated at cost, which is determined on a first-in, first-out basis. The cost of inventory is recorded as an expense when used by ACRTA.

J Compensated Absences

ACRTA employees are permitted to carry over some Paid Time Off (PTO) at year-end. Unused accrued PTO benefits are paid to the employee upon separation from ACRTA.

K. Current Liabilities

Obligations incurred but unpaid at yearend are reported as current liabilities in the accompanying financial statements. These liabilities consisted of Accounts Payable, Accrued Payroll and Benefits, Compensated Absences Payable, and Other Payable totaling $183,942 at December 31, 2020.

L. Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The ACRTA did not have any outstanding borrowings as noted above for 2020. Net Position is reported as restricted when there are limitations imposed on their use either by enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The ACRTA did not have any restricted net position for 2020.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For the ACRTA, these revenues are passenger fares, charge for special services, and other transportation services. Operating expenses are the necessary costs incurred to provide the services that are the primary activity. All revenues and expenses not meeting these definitions are reported as non-operating.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities, 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 plans and additions to/deductions from their fiduciary net position have been determined on the same bases as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. EQUITY IN CASH, CASH EQUIVALENTS AND DEPOSITS

The provisions of the Ohio Revised Code govern the investments and deposits of ACRTA. In accordance with these statutes, only financial institutions located in Ohio are eligible to hold public deposits. The statutes also permit ACRTA to invest its monies in certificates of deposits, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligation of the United States government or certain agencies thereof. ACRTA may also enter into repurchase agreements with any eligible depository for a period not exceeding 30 days.

Repurchase agreements are to be secured by the specific government securities upon which the repurchase agreements are based. These securities must be an obligation of or guaranteed by the United States and mature or be redeemable within five years of the related repurchase agreement. The market value of the securities subject to repurchase agreements must exceed the value of the principal by 2% and be marked to market daily. State law does not require that security be maintained for public deposits and investments be held in ACRTA's name.

ACRTA is prohibited from investing in any financial instruments, contracts, 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"). ACRTA is also prohibited from investing in reverse repurchase agreement.

The carrying amount of ACRTA deposits and petty cash was $2,050,645.

Custodial credit risk is the risk that in the event of bank failure, the ACRTA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $1,799,789 of the ACRTA's bank balance was exposed to custodial credit risk, $250,000 of the bank balance of $2,049,789 was FDIC covered.

The ACRTA has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with ACRTA or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. CAPITAL ASSETS

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

	Balance 01/01/2020	Additions	Disposals	Balance 12/31/2020
Description				
Land	$955,569	$0	$0	$955,569
Work in Process	0	100,539	0	100,539
Facilities & Improvements	3,640,324	0	0	3,640,324
Revenue Vehicles	6,990,739	394,556	0	7,385,295
Service Vehicles	49,771	0	0	49,771
Equipment & Furnishings	839,033	136,981	0	976,014
Total Capital Assets	$12,475,436	$632,076	$0	$13,107,512
Less Accumulated Depreciation				
Facilities & Improvements	2,104,089	90,500	0	2,194,589
Revenue Vehicles	2,956,697	748,877	0	3,705,574
Service Vehicles	33,805	4,977	0	38,782
Equipment & Furnishings	423,238	57,613	0	480,851
Total Accumulated Depreciation	$5,517,829	$901,967	$0	$6,419,796
Total Capital Assets, Net	$6,957,607	$(269,891)	$0	$6,687,716

Work in Process consists of projects underway but not yet completed. For FY2020 this included facility renovation projects along with the design/construction of a parking lot. Work in process projects are not depreciated until work is completed and the asset is placed into service.

5. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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 have already occurred.

The net pension liability represents the ACTRA'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 calculations are 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.

5. DEFINED BENEFIT PENSION PLAN (Continued)

The Ohio Revised Code (ORC) limits the ACTRA's obligation for this liability to annually required payments. The ACTRA cannot control benefit terms or the manner in which pensions are financed; however, the ACTRA does receive the benefit of employees' services in exchange for compensation including pension.

GASB 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 legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included as an accrued liability under current liabilities.

Plan Description – Ohio Public Employees Retirement System (OPERS)

The ACTRA employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost sharing, multiple employer defined benefit pension plan with defined contribution features.

While members may elect the member-directed plan and the combined plan, all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. ACTRA to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the State and Local group under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

5. DEFINED BENEFIT PENSION PLAN (Continued)

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
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%. A death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional Pension Plan and Combined Plan. Death benefits are not available to beneficiaries of Member-Directed Plan participants.

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. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed plan participants must have attained the age of fifty-five, 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 member's contributions, vested employer contributions, and investment gains or losses resulting from the member's 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 account. Options include the purchase of a monthly defined benefit annuity from OPERS (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 the entire account balance net of taxes withheld, or a combination of these options.

5. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

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

2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The ACRTA's contractually required contribution for 2020 was $171,375 for employees.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The ACRTA's proportion of the net pension liability was based on the ACRTA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate of Net Pension Liability:	
Current Measurement Date	.008944%
Prior Measurement Date	. 004974%
Change in Proportionate Share	.003970%
Proportionate Share of the Net Pension Liability	$1,767,842
Pension Expense	$311,621

5. DEFINED BENEFIT PENSION PLAN (Continued)

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

	OPERS
Deferred Outflows of Resources - Pensions	
Difference between expected and actual experience	$0
Changes in Assumptions	94,423
Differences between expected and actual experience	0
ACRTA contributions subsequent to the measurement date	171,375
Changes in proportion and differences in assumptions	523,044
Total Deferred Outflows of Resources - Pensions	$788,842
Deferred Inflows of Resources - Pensions	
Differences between expected and actual experience	$22,352
Differences between projected and actual earnings	352,645
Changes in proportion and differences in assumptions	297,212
Total Deferred Inflows of Resources - Pensions	$672,209

The $171,375 reported as deferred outflows of resources related to pension resulting from ACTRA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2021	$2,220
2022	(72,899)
2023	(14,603)
2024	140,024
2025	-
Thereafte	-
r Total	$54,742

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

5. DEFINED BENEFIT PENSION PLAN (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Combined Plan
Measurement and Valuation Date	December 31, 2019	December 31, 2019
Experience Study	5-Year Period Ended December 31, 2015	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)	3.25%-8.25% (includes wage inflation at 3.25%)
Cost-of-living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 1.40% Simple through 2020, then 2.15% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 1.40% Simple through 2020, then 2.15% Simple

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

Investment Allocation

OPERS manages investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

5. DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board 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 following table displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.2% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the ACTRA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability or asset calculated using the discount rate of 7.2%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

ACRTA's Net Pension Liability/ (Asset) as of December 31, 2020	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Pension Plan	$2,915,744	$1,767,842	$735,912

6. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to 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 ACTRA'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.

The Ohio Revised Code limits the ACTRA's obligation for this liability to annually required payments. The ACTRA cannot control benefit terms or the manner in which OPEB are financed; however, the ACTRA 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 as an accrued liability under current liabilities.

Ohio Public Employees Retirement System

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.

6. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an OPEB as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2020 remains 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The ACRTA contractually required contributions for 2020 was $1,824.

6. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The ACTRA's proportion of the net OPEB liability was based on the ACTRA's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability	
Current Measurement Date	0.009229%
Prior Measurement Date	0.005193%
Change in Proportionate Share	0.004036%
Proportionate Share of the Net OPEB Liability	$1,274,765
OPEB Expense	$163,544

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

	OPERS
Deferred Outflows of Resources - OPEB	
Difference between expected and actual experience	$35
Change in Assumptions	201,782
Difference between projected and actual earning on plan investments	0
ACRTA contributions subsequent to the measurement date	1,824
Changes in proportion and differences in assumptions	307,909
Total Deferred Outflows of Resources - OPEB	$511,550
Deferred Inflows of Resources - OPEB	
Differences between expected and actual experience	$116,583
Difference between projected and actual earning on plan investments	64,911
Changes in proportion and differences in assumptions	195,036
Total Deferred Inflows of Resources - OPEB	$376,530

The reported $1,824 as deferred outflows of resources related to OPEB resulting from ACRTA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

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

	OPERS
Year Ending December 31:	
2021	$(26,804)
2022	(134,077)
2023	(52)
2024	27,737
2025	0
Thereafte	0
r Total	$(133,196)

6. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of health care costs 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 the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019.

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:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Valuation Date	December 31, 2018
Rolled-Forward Measurement Date	December 31, 2019
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Assumptions	
Single Discount Rate	3.16%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.75%
Wage Inflation	3.25%
Projected Salary Increases	3.25%-10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	10.5% initial, 3.5% ultimate in 2030

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively.

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

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

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

6. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

During 2019, OPERS managed investments in three investment portfolios: The Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 19.7% for 2019.

The allocation of investment assets within the Health Care portfolio is approved by the Board 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. The System’s primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit.

The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return

Asset Class	Target Allocation for 2019	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00	5.75
REITs	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.90
TOTAL	100.00%	4.55%

Discount Rate

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

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6. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Sensitivity of the ACTRA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Trend Rate

The following table presents the OPEB liability calculated using the single discount rate of 3.16%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

As of December 31, 2020	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
ACRTA's Net OPEB Liability	$1,668,234	$1,274,765	$959,724

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability.

The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. 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 the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

As of December 31, 2020	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
ACRTA's Net OPEB Liability	$1,237,147	$1,274,765	$1,311,902

7. RISK MANAGEMENT

The ACRTA participates in the Ohio Transit Risk Pool, (OTRP), related to its risk of property and casualty loss. Under this plan, the ACRTA receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the first $100,000 of any qualified property loss and the first $2,000,000 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 for qualified casualty losses. Any underfunding of the plans liabilities is shared pro-rata by the members based on pool contribution factors comprised of population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

The ACRTA continues to carry commercial insurance for all other risks of loss, including workers compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

There was no significant reduction in insurance coverage and no settlements exceeded insurance coverage during the past three years.

8. CONTINGENCIES

In the normal course of operations, ACRTA may be subject to litigation and claims. ACRTA receives a substantial amount of support from federal, state, and local governments.

The ACRTA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability for the General Fund. See Note 11 for discussion on action taken by a grantor agency.

9. RECEIVABLES

Receivables at December 31, 2020 consisted of accounts (billings), intergovernmental grants, and sales taxes collected on behalf of ACRTA by the State of Ohio. All receivables are considered collectible in full.

10. COVID-19 PANDEMIC

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the ACRTA. The investments of the pension and other employee benefit plans in which the ACRTA participate 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. In addition, the impact on the ACRTA's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the ACRTA received Coronavirus Aid, Relief, and Economic Security (CARES) funding as part of the Federal Transit Grant. In addition, the ACRTA will receive funds from the American Rescue Plan Act (ARPA) in 2021.

11. SUBSEQUENT EVENT

ACRTA had their Triennial Review performed covering 2018 - 2021. Land purchases had previously been approved on Grant OH-2017-013 and the grant was closed. Land purchases were also approved on Grant OH-2018-028. During the Triennial Review, it was determined that ACRTA had inadvertently purchased the wrong land parcel and ACRTA had to pay back a total of $833,755 to Federal Transit Administration (FTA). $253,755 of this was returned to OH-2018-028 for future use as the grant was still open. All payments were subsequently made on 2/18/2022 and processed on 2/22/2022.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ACRTA'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS ENDED DECEMBER 31 (1)

	2020	2019	2018	2017	2016
ACRTA's proportion of the Net Pension Liability/(Asset)	.0089440%	.0049740%	0.010479%	0.009648%	0.009475%
ACRTA's Proportionate Share of the Net Pension Liability/(Asset)	$1,767,842	$1,362,278	$1,643,952	$2,190,897	$1,641,190
ACRTA's Covered-Employee Payroll	$1,085,579	$956,179	$1,384,785	$1,069,025	$1,010,825
ACRTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	162.85%	142.47%	118.72%	204.94%	162.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	74.70%	84.66%	77.25%	81.08%

	2015	2014
ACRTA's proportion of the Net Pension Liability/(Asset)	0.008630%	0.008863%
ACRTA's Proportionate Share of the Net Pension Liability	$1,068,988	$1,044,832
ACRTA's Covered-Employee Payroll	$1,357,650	$1,202,585
ACRTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	78.74%	86.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2014 is not available.

Amounts presented as of the ACTRA's measurement date which is the prior year end.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ACRTA'S CONTRIBUTIONS - PENSION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT YEARS (1)

	2020	2019	2018	2017	2016
Contractually Required Contribution	$171,375	$151,981	$133,865	$180,022	$128,283
Contributions in Relation to the Contractually Required Contribution	$171,375	$151,981	$133,865	$180,022	$128,283
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
ACRTA Covered-Employee Payroll	$1,224,107	$1,085,579	$956,179	$1,384,785	$1,069,025
Contribution as a Percentage of Covered-Employee Payroll	14.0%	14.0%	14.0%	13.0%	12.0%

	2015	2014	2013
Contractually Required Contribution	$121,299	$162,918	$156,336
Contributions in Relation to the Contractually Required Contribution	$121,299	$162,918	$156,336
Contribution Deficiency (Excess)	$0	$0	$0
CRTA Covered-Employee Payroll	$1,010,825	$1,357,650	$1,202,585
Contribution as a Percentage of Covered-Employee Payroll	12.0%	12.0%	13.0%

(1) Information prior to 2013 is not available

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ACRTA'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR YEARS ENDED DECEMBER 31 (1)

	2020	2019	2018	2017
ACRTA's proportion of the Net OPEB Liability	0.009229%	0.005193%	0.010470%	0.009648%
ACRTA's Proportionate Share of the Net OPEB Liability	$1,274,765	$677,045	$1,136,965	$1,057,506
ACRTA's Covered-Employee Payroll	$1,085,579	$956,179	$1,384,785	$1,069,025
ACRTA's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	117.43%	70.81%	82.10%	98.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.80%	46.33%	54.14%	77.25%

(1) Information prior to 2017 is not available.

Amounts presented as of the ACTRA's measurement date which is the prior year end.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ACRTA CONTRIBUTIONS - OPEB
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST SEVEN YEARS ENDED DECEMBER 31 (1)

	2020	2019	2018	2017	2016
Contractually Required Contribution	$1,824	$ 2,743	$ 2,549	$16,033	$27,051
Contributions in Relation to the Contractually Required Contribution	$1,824	$ 2,743	$2,549	$16,033	$27,051
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
ACRTA Covered-Employee Payroll	$1,224,107	$1,085,579	$956,179	$1,384,785	$1,069,025
Contribution as a Percentage of Covered-Employee Payroll	0.15%	0.25%	0.24%	1.16%	2.53%

	2015	2014
Contractually Required Contribution	$24,314	$21,733
Contributions in Relation to the Contractually Required Contribution	$24,314	$21,733
Contribution Deficiency (Excess)	$ -	$ -
ACRTA Covered-Employee Payroll	$1,010,825	$1,357,650
Contribution as a Percentage of Covered-Employee Payroll	2.41%	1.60%

(1) Information prior to 2014 is not available.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Grant Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Federal Transit Cluster:			
Federal Transit_Formula Grants	20.507	OH-2018-016-00	364,296
Federal Transit_Formula Grants	20.507	OH-2018-028-00	601,337
Federal Transit_Formula Grants	20.507	OH-2019-016-00	571,514
COVID-19 Federal Transit_Formula Grants - Cares Act	20.507	OH-2020-015-00	1,103,720
Total Federal Transit Cluster:			2,640,867
Total U.S. Department of Transportation			2,640,867
Total Expenditures of Federal Awards			2,640,867

The accompanying notes are an integral part of this schedule.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

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

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Allen County Regional Transit Authority (the ACRTA's) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the ACRTA, it is not intended to and does not present the financial position, changes in net position, or cash flows of the ACRTA.

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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C - MATCHING REQUIREMENTS

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

NOTE D – INDIRECT COST RATE

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

OHIO AUDITOR OF STATE
KEITH FABER

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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*

Allen County Regional Transit Authority
Allen County
200 East High Street
Lima, Ohio 45801

To the Members of the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Allen County Regional Transit Authority, Allen County, (the ACRTA) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the ACRTA's basic financial statements and have issued our report thereon dated March 8, 2022, wherein noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the ACTRA.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the ACTRA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Government Auditing Standards.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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

Allen County Regional Transit Authority
Allen County
200 East High Street
Lima, Ohio 45801

To the Members of the Board of Trustees:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the ACRTA's compliance for the ACRTA's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the ACRTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on* Federal Transit Cluster**

As described in finding 2020-001 in the accompanying schedule of findings, the ACRTA did not comply with requirements regarding procurement and suspension and debarment applicable to its CFDA #20.507 Federal Transit Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the ACRTA to comply with requirements applicable to this program.

Qualified Opinion on Federal Transit Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Federal Transit Cluster* paragraph, ACRTA complied, in all material respects, with the requirements referred to above that could directly and materially affect its Federal Transit Cluster for the year ended December 31, 2020.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying schedule of findings as item 2020-001.

The ACTRA’s response to our internal control over compliance finding is described in the accompanying schedule of findings and corrective action plan. We did not subject the ACTRA’s response to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

March 8, 2022

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(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?**	Yes
(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**	Qualified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	Yes
(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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Noncompliance Citation / Material Weakness

Finding Number:	**2020-001**
CFDA Number and Title:	**Federal Transit Cluster - CFDA #20.507**
Federal Award Identification Number / Year:	**Federal Transit_Formula Grants – CFDA #20.507 OH-2018-016-00, OH-2018-028-00, OH-2019-016-00** **COVID-19 Federal Transit_Formula Grants – Cares Act OH-2020-015-00**
Federal Agency:	**U.S. Department of Transportation**
Compliance Requirement:	**Procurement and Suspension and Debarment**
Pass-Through Entity:	**N/A**
Repeat Finding from Prior Audit?	**No**

2 CFR § 1200.1 gives regulatory effect to the Department of Transportation for **2 CFR § 200.318(i)** which states that the non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

The ACTRA purchased two Ford 450 vans for $133,438 each, 2 - small vans for $63,940 each and expended $22,500 for the Beam Design for the Parking Lot Project for a total of $417,256 which was 15.8% of the total expenditures from the Federal Transit Cluster; however, the ACTRA did not maintain records sufficient to detail the history of the procurement: rationale for the method of procurement, section of contract type, contractor selection or rejection, and the basis for the contract price.

The lack of an internal control for compliance with procurement and suspension and debarment contributed to this noncompliance with this Federal program. Noncompliance with the requirements of a Federal grant may result in the loss of current or future funding.

A control(s) should be implemented and monitored to ensure that the employee responsible for verifying compliance with procurement and suspension and debarment maintains records detailing the history of purchases.

OFFICIALS' RESPONSE:

ACRTA follows the ACRTA Purchasing Policies and Procedures Manual for procurements.

4. OTHER – FINDING FOR RECOVERY

In addition, we identified the following other issue related to a Finding for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

FINDING NUMBER 2020-002

Noncompliance Citation / Finding for Recovery Repaid under Audit
Overpayment of Beam Design LLC

State ex rel. McClure v. Hagerman, **155 Ohio St. 320 (1951)** provides that expenditures made by a governmental unit should serve a public purpose. Typically, the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper "Public Purpose" states, in part, the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect. Furthermore, a well-designed system of internal controls should contain procedures to ensure invoices are recalculated to determine the amount paid is limited to what is owed by the ACTRA.

On July 14, 2020, the ACTRA issued warrant number 29685, from the Federal Transit Authority Cluster – CFDA # 20.507, in the amount of $22,500 to Beam Design LLC for a design services on a parking lot project. The invoice received by the ACTRA from Beam Design LLC was for a total of $22,500. However, the invoice did not recalculate and the total should have been $22,000. As a result, the ACTRA overpaid Beam Design LLC by $500 as a result of not recalculating the invoice prior to payment.

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Beam Design LLC in the amount of $500 and in favor of the Allen County Regional Transit Authority.

On June 1, 2021, Beam Design LLC issued a check for $500 to the Allen County Regional Transit Authority, which was deposited into the ACTRA's bank account on June 25, 2021.

The lack of or the failure of a control and/or procedure for recalculating invoices may have resulted in this overpayment and could lead to additional findings for recovery in future audits. The ACRTA should establish and implement procedures to verify that all invoices are recalculated prior to payment.

OFFICIALS' RESPONSE:

ACRTA checks invoices to ensure the amounts are correct before payment.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
12-31-2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Noncompliance Citation /Finding for Recovery. In 2019, the Allen County Regional Transit Authority paid late fees, penalties and finance charges to various retail store (for goods and services) and to a bank in the amount of $659.48 as a result of not paying invoices in a timely manner. In addition, penalty and interest charges were assessed by the Ohio Public Employees Retirement System against the Allen County Regional Transit Authority for late reporting and payment of 2019 withholdings totaling $5,456.30.	ACRTA has dedicated local funding and CARES Act funding providing 100% operating expenses. There were a few late charges in 2020 due to one episode of human error and not having a signatory on site and we anticipate a repeat finding for FY 2020. ACRTA did not request any Federal or State funds for these late charges. The individual named on the Finding for Recovery is no longer with the agency. ACRTA will cooperate with the State on any legal collection process. Any funds recovered will be properly accounted for in ACRTA's accounting system.	The person named in the finding has denied the claim of responsibility. ACRTA worked with legal counsel and have determined this item to be uncollectable as we have been unable to make further contact with the person named.

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Phone: 419-222-2782

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
12/31/2020

Finding Number:	2020-001
Planned Corrective Action:	ACRTA now makes certain to follow their Purchasing Policies and Procedures Manual. This manual follows all Federal guidance for records pertaining to the history of procurements.
Anticipated Completion Date:	07/31/2021
Responsible Contact Person:	Karen Garland, Co-Executive Director/Administration & Capital Director

Finding Number:	2020-002
Planned Corrective Action:	All invoices are now recalculated prior to payment to ensure public funds are not illegally expended.
Anticipated Completion Date:	07/31/2021
Responsible Contact Person:	Teresa Brown, Finance Manager

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OHIO AUDITOR OF STATE
KEITH FABER

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

ALLEN 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 4/12/2022

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