

TOLEDO AREA
REGIONAL
TRANSIT
AUTHORITY



Year Ended
December 31,
2017 and 2016

Financial
Statements



Dave Yost • Auditor of State

Board of Trustees
Toledo Area Regional Transit Authority
1127 W. Central Ave Toledo, OH 43695

We have reviewed the *Independent Auditor's Report* of the Toledo Area Regional Transit Authority, Lucas County, prepared by Rehmann Robson, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 27, 2018

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 28, 2018

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the *Toledo Area Regional Transit Authority* (the "Authority"), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2017 and 2016, and the respective results of their operations and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the supplementary information on GASB 68 schedules for the pension plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated June 28, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Rehmann Johnson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

As financial management of the Toledo Area Regional Transit Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2017 and 2016. This discussion and analysis is designed to assist the reader in focusing on the significant changes in the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights in 2017

- The Authority's total net position decreased \$8,755,745, or 44%, over the course of the year's operations.
- The Authority's operating expenses, excluding depreciation, in 2017 were approximately \$1,836,000, or 6% higher than in 2016. An increase in the Authority's OPERS' pension liability primarily contributed to this increase.
- Operating revenues for the Authority of approximately \$5,421,000 in 2017 decreased \$868,000 compared with 2016. A decrease in the number of riders was the primary cause of the decrease.
- Property tax revenues of \$12,806,000 were down \$139,000 compared to 2016. This tax represents 46% of all revenues received.
- Total federal funding increased approximately \$692,000 and will be used for maintenance expenses.
- The Authority provided no charter services in 2017 in accordance with current federal regulations.

Financial Highlights in 2016

- The Authority's total net position decreased \$7,146,523, or 27%, over the course of the year's operations.
- The Authority's operating expenses, excluding depreciation, in 2016 were approximately \$3,000,000, or 10.6% higher than in 2015. An increase in costs associated with primarily salaries and wages contributed to this increase.
- Operating revenues for the Authority of approximately \$6,289,000 in 2016 decreased \$318,000 compared with 2015. A decrease in the number of riders was the primary cause of the decrease.
- Property tax revenues of \$12,945,000 (2.5 mills) were down \$506,000 compared to 2015. This tax represents 47% of all revenues received.
- Total federal funding increased approximately \$1,200,000 and will be used for maintenance expenses.
- The Authority provided no charter services in 2016 in accordance with current federal regulations.

Overview of the Financial Statements

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

Required Financial Statements

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

The statements of net position present information on all the Authority's assets, liabilities and deferred inflows of resources, with the difference between the two amounts reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. A net position increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in increased net position, which indicate improved financial position.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

The statements of revenues, expenses, and changes in net position present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., employee fringe benefits).

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

Notes to the Financial Statements

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

Financial Analysis of the Authority

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

Regional Transit Authority's Net Position

	Net Position		
	2017	2016	2015
Assets			
Current assets	\$ 22,923,234	\$ 24,666,514	\$ 25,772,510
Restricted assets	56,286	56,286	56,286
Capital assets, net	21,160,996	24,320,500	27,657,884
	<u>44,140,516</u>	<u>49,043,300</u>	<u>53,486,680</u>
Deferred outflows of resources	<u>9,989,786</u>	<u>7,228,803</u>	<u>2,409,857</u>
Liabilities			
Current liabilities	5,311,556	5,467,847	4,451,750
Net pension liability	24,283,655	17,386,226	11,606,432
	<u>29,595,211</u>	<u>22,854,073</u>	<u>16,058,182</u>
Deferred inflows of resources	<u>13,425,359</u>	<u>13,721,990</u>	<u>12,995,792</u>
Net position			
Investment in capital assets	21,160,996	24,320,500	27,657,884
Restricted for capital acquisitions	56,286	56,286	56,286
Unrestricted (deficit)	(10,107,550)	(4,680,746)	(871,607)
	<u>(10,107,550)</u>	<u>(4,680,746)</u>	<u>(871,607)</u>
Total net position	<u>\$ 11,109,732</u>	<u>\$ 19,696,040</u>	<u>\$ 26,842,563</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

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

Year Ended December 31, 2017

Investment in capital assets decreased to \$21.1 million in 2017 from \$24.3 million in 2016, a reduction of 11%. The decrease was due primarily to current year depreciation exceeding 2017 additions. There were net disposals of approximately \$10,000 in 2017.

The net pension liability recognized by the Authority at December 31, 2017 grew to \$24,283,655. Related deferred outflows and inflows as of December 31, 2017 also grew to \$9,989,786 and \$619,359, respectively. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

Year Ended December 31, 2016

Investment in capital assets decreased to \$24.3 million in 2016 from \$28.2 million in 2015, a reduction of 12%. The decrease was due primarily to current year depreciation exceeding 2016 additions. There were net disposals of approximately \$23,000 in 2016.

The net pension liability recognized by the Authority at December 31, 2016 grew to \$17,386,226. Related deferred outflows and inflows as of December 31, 2016 also grew to \$7,228,803 and \$366,990, respectively. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Changes in Net Position

	Change in Net Position		
	2017	2016	2015
Operating revenues	\$ 5,421,100	\$ 6,289,459	\$ 6,607,810
Operating expenses, excluding depreciation	(33,064,444)	(31,228,871)	(28,235,369)
Depreciation expense	(3,349,434)	(4,021,042)	(4,306,177)
Operating loss	(30,992,778)	(28,960,454)	(25,933,736)
Nonoperating revenues:			
Property taxes	12,805,657	12,944,866	13,453,821
Federal operating and preventive maintenance grants	8,251,565	7,559,312	6,359,647
State operating and preventive maintenance grants	863,155	938,409	914,191
Other nonoperating revenues	316,656	17,860	43,861
Total nonoperating revenues	22,237,033	21,460,447	20,771,520
Capital contributions	169,437	353,484	3,334,927
Decrease in net position	(8,586,308)	(7,146,523)	(1,827,289)
Net position, beginning of year	19,696,040	26,842,563	38,255,420
Implementation of GASB 68	-	-	(9,585,568)
Net position, end of year	\$ 11,109,732	\$ 19,696,040	\$ 26,842,563

Year Ended December 31, 2017

The Authority's operating revenues for 2017 were down approximately \$868,000 from 2016, or 13.8%. Passenger fares decreased approximately \$410,000, or 12.3%. Revenue from contract service, including Toledo Public Schools, decreased approximately \$473,000, or 16.8% in 2017. Miles of service of 3.6 million for fixed line service was down from the prior year. Operating expenses, excluding depreciation, increased by approximately \$1,836,000 or 5.8% from 2016 primarily from an increase in labor and fringe benefits. The primary driver in the increase in fringe benefits is the increased net pension liability and deferred inflows and outflows related to the pension. The 2017 nonoperating revenues of approximately \$22.2 million were higher than revenues in 2016 due to increases in federal operating and preventive maintenance assistance.

Year Ended December 31, 2016

The Authority's operating revenues for 2016 were down approximately \$318,000 from 2015, or 4.8%. Passenger fares decreased approximately \$595,000, or 15%. Revenue from contract service to the Toledo Public Schools increased approximately \$284,000, or 11% in 2016. Miles of service of 3.9 million for fixed line service was up from the prior year. Operating expenses, excluding depreciation, increased by approximately \$3.0 million or 11% from 2015 primarily from an increase in labor and fringe benefits. The primary driver in the increase in fringe benefits is the increased net pension liability and deferred inflows and outflows related to the pension. The 2016 nonoperating revenues of approximately \$21.5 million were higher than revenues in 2015 due to increases in federal operating and preventive maintenance assistance.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Capital Contributions

Capital contributions from federal and state agencies in 2017 were \$169,437. In progress at the end of the year is a parking lot, software upgrade and transit center with costs to-date of approximately \$450,000. Capital contributions from federal and state agencies in 2016 were \$353,484. In progress at the end of the year is a solar project, software upgrade and transit center with costs to-date of approximately \$1.4 million.

Capital Asset and Debt Administration

Capital Assets 2017

The Authority's investment in capital assets amounts to \$21.1 million, net of accumulated depreciation, as of December 31, 2017, a decrease of approximately \$3.1 million or 13% compared with 2016. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include approximately \$1.2 million for the completion of the solar project. Additionally, the Authority disposed of vehicles at approximately \$9.5 million. All disposed vehicles had been fully depreciated.

Capital Assets 2016

The Authority's investment in capital assets amounts to \$24.3 million, net of accumulated depreciation, as of December 31, 2016, a decrease of approximately \$3.3 million or 12% compared with 2015. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include the replacement of an underground oil line.

Long-Term Debt

The Authority has no outstanding long-term debt as of December 31, 2017 and 2016.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Net Position

	December 31	
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,740,291	\$ 2,096,036
Property taxes receivable	12,806,000	13,355,000
Accounts receivable, net	5,245,344	8,191,616
Inventories	978,257	911,820
Prepays	153,342	112,042
Total current assets	<u>22,923,234</u>	<u>24,666,514</u>
Noncurrent assets:		
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Capital assets not being depreciated	1,199,209	2,212,976
Capital assets being depreciated, net	19,961,787	22,107,524
Total noncurrent assets	<u>21,217,282</u>	<u>24,376,786</u>
Total assets	<u>44,140,516</u>	<u>49,043,300</u>
Deferred outflow of resources - Deferred pension amounts	<u>9,989,786</u>	<u>7,228,803</u>
Liabilities		
Current liabilities:		
Accounts payable	3,573,332	3,031,417
Accrued payroll and vacation pay	650,182	754,289
Accrued employers' contribution to Ohio Public Employees Retirement System	9,369	219,838
Accrued claims	504,037	1,035,386
Unearned revenue	450,261	361,923
Other	124,375	64,994
Total current liabilities	<u>5,311,556</u>	<u>5,467,847</u>
Noncurrent liabilities - Net pension liability	<u>24,283,655</u>	<u>17,386,226</u>
Total liabilities	<u>29,595,211</u>	<u>22,854,073</u>
Deferred inflows of resources		
Property taxes levied for a subsequent period	12,806,000	13,355,000
Deferred pension amounts	619,359	366,990
Total deferred inflows of resources	<u>13,425,359</u>	<u>13,721,990</u>
Net position		
Investment in capital assets	21,160,996	24,320,500
Restricted for capital acquisitions	56,286	56,286
Unrestricted (deficit)	(10,107,550)	(4,680,746)
Total net position	<u>\$ 11,109,732</u>	<u>\$ 19,696,040</u>

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended December 31,	
	2017	2016
Operating revenues		
Passenger fares	\$ 2,923,748	\$ 3,334,130
Toledo Board of Education and other contracts	2,335,721	2,808,364
Auxiliary transportation revenue	161,631	146,965
Total operating revenues	5,421,100	6,289,459
Operating expenses		
Labor	14,148,261	14,498,704
Fringe benefits	9,663,051	7,381,684
Materials and supplies	4,714,069	5,006,405
Services	1,808,533	1,675,454
Fuel	1,738,938	1,584,455
Taxes	286,774	311,629
Claims and insurance	309,702	322,044
Utilities	388,742	444,644
Miscellaneous	6,374	3,852
Total operating expenses	33,064,444	31,228,871
Operating loss before depreciation	(27,643,344)	(24,939,412)
Depreciation	3,349,434	4,021,042
Operating loss	(30,992,778)	(28,960,454)
Nonoperating revenues		
Property taxes	12,805,657	12,944,866
Federal operating and preventive maintenance assistance	8,251,565	7,559,312
State operating and preventive maintenance grants and assistance	863,155	938,409
Investment income	15,102	3,600
Gain (loss) on disposal of capital assets	46,611	(12,561)
Nontransportation revenues	254,943	26,821
Total nonoperating revenues	22,237,033	21,460,447
Net loss before capital contributions	(8,755,745)	(7,500,007)
Capital contributions	169,437	353,484
Change in net position	(8,586,308)	(7,146,523)
Net position, beginning of year	19,696,040	26,842,563
Net position, end of year	\$ 11,109,732	\$ 19,696,040

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2017	2016
Cash flows from operating activities		
Receipts from fares and contracts	\$ 6,483,619	\$ 5,513,391
Payments to suppliers	(8,759,573)	(8,246,414)
Payments for labor and employee benefits	(20,268,422)	(20,616,185)
Net cash used in operating activities	<u>(22,544,376)</u>	<u>(23,349,208)</u>
Cash flows from noncapital financing activities		
Property tax receipts	12,805,657	12,944,866
Federal operating and preventive maintenance assistance	10,172,369	9,541,226
State operating and preventive maintenance grants and assistance	914,442	938,808
Nontransportation receipts	254,943	26,821
Net cash provided by noncapital financing activities	<u>24,147,411</u>	<u>23,451,721</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(199,785)	(700,602)
Capital contributed by governmental units	169,437	353,484
Proceeds from sale of capital assets	56,466	4,383
Net cash used in capital and related financing activities	<u>26,118</u>	<u>(342,735)</u>
Cash flows from investing activities		
Interest on investments	15,102	3,600
Net change in cash and cash equivalents	1,644,255	(236,622)
Cash and cash equivalents, beginning of year	2,152,322	2,388,944
Cash and cash equivalents, end of year	<u>\$ 3,796,577</u>	<u>\$ 2,152,322</u>
Cash and cash equivalents from Statements of Net Position:		
Cash and cash equivalents	\$ 3,740,291	\$ 2,096,036
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Total cash and cash equivalents	<u>\$ 3,796,577</u>	<u>\$ 2,152,322</u>

continued...

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2017	2016
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (30,992,778)	\$ (28,960,454)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,349,434	4,021,042
Changes in assets and liabilities:		
Accounts receivable - trade and other	974,181	(734,798)
Inventories	(66,437)	64,909
Prepaid expenses	(41,300)	36,950
Deferred outflows - pension	(2,760,983)	(4,818,946)
Accounts payable	541,915	1,014,351
Accrued liabilities and other	(786,544)	43,016
Unearned revenue	88,338	(41,270)
Net pension liability	6,897,429	5,779,794
Deferred inflows - pension	252,369	246,198
Net cash used in operating activities	<u>\$ (22,544,376)</u>	<u>\$ (23,349,208)</u>

concluded

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

NOTES TO FINANCIAL STATEMENTS

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2017 that will be collected in 2018 are recorded as a receivable and deferred inflow of resources. Deferred inflows arise when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Assets, Liabilities and Equity

Cash and Cash Equivalents

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

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

Inventories and Prepaid Expenses

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

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

Investments

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

The Authority can invest funds in STAROhio, an investment pool managed by the State Treasurer's office that allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with the Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price at which the investment could be sold.

Capital Assets

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

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

Compensated Absences

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

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

Budgets and Budgetary Accounting

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

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

The Authority had no expenditures in excess of appropriations at the legal level of appropriation for the years ended December 31, 2017 and 2016.

Net Position

Equity is displayed in three components as follows:

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

Deferred Inflows/Outflows of Resources

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

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

Revenue

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

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

Pension

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

Capital Contributions

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Upcoming Accounting Pronouncement

The Governmental Accounting Standards Board has issued GASB Statement No. 75, Postemployment Benefits Other Than Pensions, which will be effective for the Authority's fiscal year ending December 31, 2018. This statement will require the recognition of a net Other Postemployment Benefits (OPEB) liability on the statement of net position, equal to the Authority's proportionate share of the net OPEB liability of the Ohio Public Employees Retirement System (OPERS), as defined and calculated in accordance with the new standard. The exact amount of this liability is not readily determinable at this time,. This statement will require the net OPEB liability to be recorded for the year ending December 31, 2018, by restating beginning net position as of January 1, 2018.

2. DEPOSIT AND INVESTMENTS

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

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

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

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Deposits

Information regarding the Authority's deposits at December 31, 2017 and 2016 as follows:

	2017	2016
Book/carrying value of deposits:		
Cash and cash equivalents	\$ 3,740,291	\$ 2,096,036
Restricted cash and cash equivalents for capital acquisitions	<u>56,286</u>	<u>56,286</u>
Total book balance	<u>\$ 3,796,577</u>	<u>\$ 2,152,322</u>
Bank balance:		
Covered by federal depository insurance	\$ 798,814	\$ 607,663
Covered by pledged pooled collateral	<u>3,093,298</u>	<u>1,758,666</u>
Total bank balance	<u>\$ 3,892,112</u>	<u>\$ 2,366,329</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Capital grants	\$ 4,328,015	\$ 6,987,756
Trade and other	<u>937,329</u>	<u>1,223,860</u>
	5,265,344	8,211,616
Less allowance for doubtful receivables	<u>20,000</u>	<u>20,000</u>
Total accounts receivable, net	<u>\$ 5,245,344</u>	<u>\$ 8,191,616</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 743,244	\$ -	\$ -	\$ 743,244
Construction in progress	1,469,732	177,228	1,190,995	455,965
Total capital assets not being depreciated	2,212,976	177,228	1,190,995	1,199,209
Capital assets, being depreciated:				
Buildings	18,640,252	1,175,221	-	19,815,473
Land improvements	1,726,830	-	-	1,726,830
Transit stations	7,375,978	-	-	7,375,978
Transportation equipment	44,545,665	-	9,539,271	35,006,394
Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters)	12,473,785	38,331	312,481	12,199,635
Total capital assets being depreciated	84,762,510	1,213,552	9,851,752	76,124,310
Less accumulated depreciation for:				
Buildings	8,406,988	607,815	-	9,014,803
Land improvements	1,592,483	11,132	-	1,603,615
Transit stations	4,585,393	293,212	-	4,878,605
Transportation equipment	37,665,937	1,832,760	9,539,271	29,959,426
Other equipment	10,404,185	604,516	302,627	10,706,074
Total accumulated depreciation	62,654,986	3,349,435	9,841,898	56,162,523
Total capital assets being depreciated, net	22,107,524	(2,135,883)	9,854	19,961,787
Total capital assets, net	\$ 24,320,500	\$ (1,958,655)	\$ 1,200,849	\$ 21,160,996

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 743,244	\$ -	\$ -	\$ 743,244
Construction in progress	916,056	559,541	5,865	1,469,732
Total capital assets not being depreciated	1,659,300	559,541	5,865	2,212,976
Capital assets, being depreciated:				
Buildings	18,619,495	20,757	-	18,640,252
Land improvements	1,624,530	102,300	-	1,726,830
Transit stations	7,372,438	3,540	-	7,375,978
Transportation equipment	45,543,628	-	997,963	44,545,665
Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters)	12,626,281	20,329	172,825	12,473,785
Total capital assets being depreciated	85,786,372	146,926	1,170,788	84,762,510
Less accumulated depreciation for:				
Buildings	7,876,054	530,934	-	8,406,988
Land improvements	1,581,888	10,595	-	1,592,483
Transit stations	4,292,329	293,064	-	4,585,393
Transportation equipment	36,110,246	2,536,710	981,019	37,665,937
Other equipment	9,927,271	649,739	172,825	10,404,185
Total accumulated depreciation	59,787,788	4,021,042	1,153,844	62,654,986
Total capital assets being depreciated, net	25,998,584	(3,874,116)	16,944	22,107,524
Total capital assets, net	\$ 27,657,884	\$ (3,314,575)	\$ 22,809	\$ 24,320,500

5. DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

The net pension liability represent the Authority's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislature change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforced.

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. At December 31, 2016, the Authority's proportion was 0.107329%, which was an increase of 0.006577% from its proportion measured as of December 31, 2015 of 0.100752%. The collective net pension liabilities of the retirement systems and the Authority's proportionate share of these net pension liabilities are as follows as of December 31:

	2017	2016
Net pension liability - all employers	\$ 22,652,642,566	17,272,598,548
Proportion of the net pension liability	0.107329%	0.100752%
Proportion share of net pension liability	\$ 24,283,655	17,386,226

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

	2017	2016
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 3,651,339	5,157,846
Changes in assumptions	3,887,466	-
Differences between expected and actual experience	33,035	-
Change in proportionate share	428,819	-
Employer contributions subsequent to the measurement date	1,989,127	2,070,957
Total	<u>\$ 9,989,786</u>	<u>\$ 7,228,803</u>
Deferred Inflows of Resources		
Difference between expected and actual experience	<u>\$ 619,359</u>	<u>\$ 366,990</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

\$1,989,127 reported as deferred outflows of resources relate to pension resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending December 31, 2017. Other amounts reported as net deferred outflows and deferred inflows of resources related to pension will be recognized in pension expense during the years ending December 31 as follows:

2018	\$ 3,049,740
2019	3,158,247
2020	1,293,523
2021	(110,807)
2022	(3,602)
2023 and thereafter	(5,801)
	<u>\$ 7,381,300</u>

Summary of Employer Pension Expense

Total pension expense recognized including employer contributions and accruals associated with recognition of net pension liability and related deferrals is presented below for the years ended December 31:

	2017	2016
Employer contributions	\$ 1,989,127	\$ 2,070,957
GASB 68 accruals	4,388,815	1,207,046
Total pension expense	<u>\$ 6,377,942</u>	<u>\$ 3,278,003</u>

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

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

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

Benefit Formula	Benefits are calculated on the basis of age, final average salary (FAS) and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of services. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.
Cost-of-Living Adjustments	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months: Pre 1/7/2013 - an annual 3% cost-of-living adjustment is provided on the member's base Post 1/7/2013 - an annual 3% cost-of-living adjustment is provided on the member's base benefit through 2018, then 2.15%.

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Notes to Financial Statements

Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2016, employer rates for the State and Local Divisions were 14% of covered payroll. Member rates for the State and Local Divisions were 10% of covered payroll. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.																								
Measurement Date	December 31, 2016																								
Actuarial Assumptions	Valuation Date: December 31, 2016 Actuarial Cost Method: Individual entry age Investment Rate of Return: 7.50% Wage Inflation: 3.25% Projected Salary Increases: 3.25% - 10.75%, including wage inflation at 3.25% Cost-of-Living Adjustments: 3.00% Simple																								
Mortality Rates	Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.																								
Date of Last Experience Study	5 year period ended December 31, 2015																								
Investment Return Assumptions	<p>The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board approved asset allocation policy for 2016 and the long-term expected real rates of return:</p> <table border="1"> <thead> <tr> <th>Asset Class</th> <th>Target Allocation</th> <th>Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td>23.0%</td> <td>2.75%</td> </tr> <tr> <td>Domestic Equity</td> <td>20.7%</td> <td>6.34%</td> </tr> <tr> <td>Real Estate</td> <td>10.0%</td> <td>4.75%</td> </tr> <tr> <td>Private Equity</td> <td>10.0%</td> <td>8.97%</td> </tr> <tr> <td>International Equity</td> <td>18.3%</td> <td>7.95%</td> </tr> <tr> <td>Other Investments</td> <td>18.0%</td> <td>4.92%</td> </tr> <tr> <td>Total</td> <td>100.0%</td> <td></td> </tr> </tbody> </table> <p>*Returns presented as arithmetic means</p>	Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.75%	Domestic Equity	20.7%	6.34%	Real Estate	10.0%	4.75%	Private Equity	10.0%	8.97%	International Equity	18.3%	7.95%	Other Investments	18.0%	4.92%	Total	100.0%	
Asset Class	Target Allocation	Long Term Expected Return*																							
Fixed Income	23.0%	2.75%																							
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Real Estate	10.0%	4.75%																							
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Other Investments	18.0%	4.92%																							
Total	100.0%																								

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

	During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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 is 8.3% for 2016.								
Discount Rate	The discount rate used to measure the total pension liability was 7.5%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.								
Sensitivity of Authority's proportionate share of Net Pension Liability to Changes in Discount Rate	<table border="1"> <thead> <tr> <th></th> <th>1% Decrease (6.5%)</th> <th>Current Discount Rate (7.5%)</th> <th>1% Increase (8.5%)</th> </tr> </thead> <tbody> <tr> <td></td> <td>\$37,241,920</td> <td>\$ 24,283,655</td> <td>\$13,490,456</td> </tr> </tbody> </table>		1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)		\$37,241,920	\$ 24,283,655	\$13,490,456
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)						
	\$37,241,920	\$ 24,283,655	\$13,490,456						

Defined Contribution Plans

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

Combined Plans

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

Funding Policy

ORC provides OPERS statutory authority to set employee and employer contributions. The required contribution rates (as a percentage of covered payroll) for plan members and the Authority are 10% and 14%, respectively. The portion of the Traditional Plan and the Combined Plan employer contributions allocated to health care was 1% for 2017 and 2% for 2016. The Authority's contributions, which represent 100% of required employer contributions, for the year ended December 31, 2017 and for each of the two preceding years were \$1,989,127, \$2,070,957, and \$1,942,012.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Post-Retirement Health Care Benefits

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 health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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.

Funding Policy: The Ohio Revised Code provides the statutory authority requiring public employers to fund health care through their contributions to OPERS. 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 2017 and 2016, the Authority contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care. The portion of the Traditional Plan and the Combined Plan employer contributions allocated to health care was 1% for 2017 and 2% for 2016. As recommended by OPERS' actuary, the portion employer contributions allocated to health care beginning January 1, 2018 decreased to 0% for both plans.

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 1.0% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% 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 for Member-Directed Plan participants for 2017 was 4.0%. The portion of the Authority's contributions that were used to fund postemployment benefits for the fiscal years 2015, 2016, and 2017 respectively were \$277,000, \$255,000, and \$142,000 which was equal to 100% of the required contribution for those fiscal years.

6. RISK MANAGEMENT

Property and Liability

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Health Insurance

The Authority provides hospitalization and medical benefits coverage to all of its full-time employees. The Authority is self-insured, with certain stop-loss coverage, for hospitalization and medical benefits coverage and expense totaled approximately \$3.3 million in 2017, \$4.1 million in 2016, and \$3.5 million in 2015. No claims have exceeded the stop-loss coverage during the past three years. In addition, the Authority provides life insurance coverage to all full-time employees. Effective January 1, 2014, the Authority switched providers to the Ohio Transit Risk Pool.

Workers' Compensation

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

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

The Authority has agreed to pay all claims up to a maximum of 150% of what the Authority would have paid had the Authority remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the Authority pays the State a "minimum premium" for retaining the risk of having to pay claims which exceed the Authority's maximum claim limits. Ten years after each year the Authority elected the retrospective plan for workers' compensation, the Authority settles up for the reserve on any claims that are still open. The accrued claims liability amounted to approximately \$4,200 and \$18,000 at December 31, 2017 and 2016, respectively.

Changes in the accrued claims liability, including general liability, medical, and workers' compensation, for the years ended December 31, 2017, 2016, and 2015, are as follows:

	2017	2016	2015
January 1, liability	\$ 1,035,386	\$ 668,389	\$ 830,163
Current year claims and changes in estimates	3,318,965	3,866,381	3,340,723
Claim payments	(3,850,314)	(3,499,384)	(3,502,497)
December 31, liability	<u>504,037</u>	<u>1,035,386</u>	<u>\$ 668,389</u>

7. PROPERTY TAX REVENUES

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Real property and tangible personal property taxes collected during fiscal year 2017 and 2016 had a lien and levy date of December 2016 and 2015, respectively.

8. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2017 and 2016:

	2017	2016
FTA preventive maintenance assistance and ADA	\$ 3,978,820	\$ 2,816,001
FTA bio fuel grant	-	1,060,000
FTA operating assistance	3,186,666	3,029,964
FTA short-range planning and marketing	1,086,079	653,347
Total	<u>\$ 8,251,565</u>	<u>\$ 7,559,312</u>

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2017 and 2016:

	2017	2016
State fuel tax reimbursement	\$ 276,532	\$ 300,499
ODT operating assistance	586,623	637,910
Total	<u>\$ 863,155</u>	<u>\$ 938,409</u>

9. UNRESTRICTED DEFICIT

The Authority's unrestricted deficit consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Pension liability fund deficit	\$ (14,913,228)	\$ (10,524,413)
Undesignated	4,805,678	5,843,667
Total unrestricted deficit	<u>\$ (10,107,550)</u>	<u>\$ (4,680,746)</u>

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Authority has cancellable operating leases executed in one-year intervals for revenue vehicle tire utilization. Total rental expense for all operating leases amounted to approximately \$388,000 and \$289,000 for the years ended December 31, 2017 and 2016, respectively.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Litigation

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

Grants

Under the terms of the Authority's various capital and operating grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2017 and 2016, there were no material questioned costs that had not been resolved with the federal or state agencies. Questioned costs could still be identified during audits to be conducted in the future. Management of the Authority believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above grants.

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

Union Contracts

The Authority has three union contracts, which cover drivers, mechanics, administrative and TARPS employees. The TARPS contract expired in 2010 and is currently in negotiations. The Authority and the administrative union entered a contract effective May 2015 through 2019. The Authority and the contract covering fixed line operators and mechanics is effective May 2015 through 2019.

REQUIRED SUPPLEMENTARY INFORMATION

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Required Supplementary Information

OPERS Cost-Sharing Multiple-Employer Plan

Schedule of the Authority's Proportionate Share of the Net Pension Liability

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Authority's proportion of the net pension liability	0.107329%	0.100752%	0.096557%
Authority's proportionate share of the net pension liability	\$ 24,283,655	\$ 17,386,226	\$ 11,606,432
Authority's covered-employee payroll	\$ 14,208,050	\$ 14,792,550	\$ 13,871,514
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.91%	117.53%	83.67%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.16%	86.50%

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

Schedule of Authority's Contributions

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Contractually required contribution	\$ 1,989,127	\$ 2,070,957	\$ 1,942,012
Contributions in relation to the contractually required contribution	<u>(1,989,127)</u>	<u>(2,070,957)</u>	<u>(1,942,012)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 14,208,050	\$ 14,792,550	\$ 13,871,514
Contributions as a percentage of covered employee payroll	14.0%	14.0%	14.0%

Source: Comptroller's Office and the Ohio Public Employees Retirement System

Note: GASB 68 was implemented in fiscal year 2015. These schedules are being built prospectively. Ultimately, 10 years of data will be presented.

TOLEDO AREA
REGIONAL
TRANSIT
AUTHORITY



Year Ended
December 31,
2017

Single Audit Act
Compliance

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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**Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

June 28, 2018

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited the financial statements of *Toledo Area Regional Transit Authority* (the "Authority") as of and for the year ended December 31, 2017, and have issued our report thereon dated June 28, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Rehmann Robson LLC

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Transportation				
Federal Transit Administration (FTA)				
Federal Transit Cluster:				
Bus and Bus Facilities Formula Program	20.526	Direct	OH-34-0010	\$ 46,910
Formula Grants	20.507	Direct	OH-90-X670	12,126
Formula Grants	20.507	Direct	OH-90-X690	8,000
Formula Grants	20.507	Direct	OH-90-X730	7,258
Formula Grants	20.507	Direct	OH-90-X808	87,195
Formula Grants	20.507	Direct	OH-90-X791	303,989
Formula Grants	20.507	Direct	OH-95-X012	55,276
Formula Grants	20.507	Direct	OH-2017-X015	7,165,486
Formula Grants	20.507	Direct	OH-2017-X014	586,623
				<u>8,225,953</u>
Total Federal Transit Cluster				<u>8,272,863</u>
Transit Services Program Cluster:				
New Freedom Program	20.521	Direct	OH-57-X009	98,000
New Freedom Program	20.521	Direct	OH-57-X024	94,000
New Freedom Program	20.521	Direct	OH-57-X042	99,140
				<u>291,140</u>
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	Direct	OH-16-X015	278,806
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	Direct	OH-2016-013	46,720
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	Direct	OH-2017-X017	6,596
				<u>332,122</u>
Job Access Reverse Commute	20.516	Direct	OH-37-X093	50,248
Job Access Reverse Commute	20.516	Direct	OH-37-X082	111,289
Job Access Reverse Commute	20.516	Direct	OH-37-X061	4,147
				<u>165,684</u>
Total Transit Services Program Cluster				<u>788,946</u>
Total Expenditures of Federal Awards				<u><u>\$ 9,061,809</u></u>

See notes to schedule of expenditures of federal awards.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

■ Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Toledo Area Regional Transit Authority (the "Authority") under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the Authority's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

For purposes of charging indirect costs to federal awards, the Authority has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

June 28, 2018

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *Toledo Area Regional Transit Authority* (the "Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Lobson LLC

**Independent Auditors' Report on Compliance for Each Major Federal Program
and Internal Control over Compliance Required by the Uniform Guidance**

June 28, 2018

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Toledo Area Regional Transit Authority* (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

Purpose of this Report

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

Rehmann Johnson LLC

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
20.507, 20.526	Federal Transit Cluster	Unmodified
20.513, 20.516, 20.521	Transit Services Program Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

■ Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2017

None reported.

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Dave Yost • Auditor of State

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 6, 2018