TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2022

OHIO AUDITOR OF STATE
KEITH FABER

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY
DECEMBER 31, 2022

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OHIO AUDITOR OF STATE
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Toledo Area Regional Transit Authority, Lucas County, Ohio (the Authority), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Toledo Area Regional Transit Authority, Lucas County, Ohio as of December 31, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2023, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

September 21, 2023

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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, 2022 and 2021. 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 2022

- The Authority's total net position increased $41,430,283 over the course of 2022, with operating expenses running $5,618,921 higher than in 2021.

- The Authority's operating expenses, excluding depreciation, were $26,522,002 in 2022. The increase is primarily due to the change in OPERS's pension and OPEB asset/liability of $6,019,542. When excluding the impact of the change in pension and OPEB, the operating expenses decreased $400,621.

- Operating revenues for the Authority increased $583,604 in 2022 compared to 2021, due in large part to reinstatement of fares.

- Property tax revenues of $12,184,239 were up $353,059 compared to 2021. Sales tax revenue was $27,408,823 and represents nine months of FY2022.

- Total Federal and State funding decreased $8,466,867 primarily as a result of grants received in the prior year for CARES funding that were no longer received in the current year by the facility.

Overview of the Financial Statements

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

Required Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Financial Analysis of the Authority

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

	2022	2021
ASSETS		
Current assets	$ 47,747,350	$ 36,666,468
Noncurrent assets	2,610,963	1,509,248
Capital assets, net	30,443,509	20,470,617
TOTAL ASSETS	80,801,822	58,646,333
DEFERRED OUTFLOWS OF RESOURCES	3,220,373	2,387,233
LIABILITIES		
Other liabilities	4,030,775	4,729,395
Long-term liabilities	7,195,235	12,355,499
TOTAL LIABILITIES	11,226,010	17,084,894
DEFERRED INFLOWS OF RESOURCES	11,585,841	24,168,611
NET POSITION		
Investment in capital assets	30,443,509	20,470,617
Unrestricted (deficit)	30,766,835	(690,556)
TOTAL NET POSITION	$ 61,210,344	$ 19,780,061

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

Year Ended December 31, 2022

Investment in capital assets increased to $30,443,509 in 2022 from $20,470,617 in 2021. The increase was due to large capital acquisitions. The Authority had $13,153,605 in additions primarily related to buildings, vehicles and equipment. The Authority disposals were $17,457,674 which consisted primarily of disposal of old vehicles and obsolete equipment. A loss on disposal of assets of $119,581 was recognized in 2022.

The net pension liability, included in long term liabilities, recognized by the Authority at December 31, 2022 decreased to $7,195,235. Related deferred outflows increased to $3,220,373. Related deferred inflows as of December 31, 2022 increased to $8,851,807. These changes were recorded as a result of changes in assumptions to the net pension liability, recognition of investment gains/losses, and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

The Authority has recognized a net other postemployment (OPEB) asset, included in non current assets, of $2,610,963 at December 31, 2022. Related deferred outflows decreased to $0 and deferred inflows decreased to $2,734,034 as of December 31, 2022. These changes were recorded as a result of changes in assumptions to the net pension liability, recognition of investment gains/losses, and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

	2022	2021
REVENUES		
Operating revenues	$ 1,560,270	$ 976,666
Operating expenses, excluding depreciation	(26,522,002)	(20,903,081)
Depreciation expense	(2,397,661)	(2,232,944)
Operating loss	(27,359,393)	(22,159,359)
Nonoperating revenues:		
Property taxes	12,184,239	11,831,180
Sales tax	27,408,823	-
Federal operating and preventive maintenance grants	15,291,661	23,206,278
State operating and preventive maintenance grants	1,928,610	2,480,680
Other nonoperating revenues	104,522	168,739
Net Gain/(Loss) on Disposal of Capital Assets	(119,581)	139,770
Total nonoperating revenues	56,798,274	37,826,647
Capital grants	11,991,402	270,025
Increase (decrease) in net position	41,430,283	15,937,313
Net position, beginning of year	19,780,061	3,842,748
Net position, end of year	$ 61,210,344	$ 19,780,061

The Authority's operating revenues for 2022 were $1,560,270 due to the start of passenger fares collection. Contract revenue decreased by $408,991 due to the fact that the contract with Toledo Public Schools ended before the start of the 2021/22 school year.

Operating expenses, excluding depreciation and changes in pension and OPEB, decreased by $400,621 in 2022. 2022 nonoperating revenues of $56,798,274 increased $18,971,627, primarily due to the start of the Sales Tax.

Capital Grants

Capital grants from federal and state agencies in 2022 were $11,991,402. Capital grants from federal and state agencies in 2021 were $270,025.

Capital Asset and Debt Administration

Capital Asset 2022

The Authority's investment in capital assets amounts increased to $30,443,509, net of accumulated depreciation, as of December 31, 2022, which was an increase of $9,972,892 compared with 2021. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year included purchases of vehicles and software upgrades. Additionally, the Authority disposed of vehicles at approximately $17,457,675, with a loss on disposal of $783,053.

Long-Term Debt 2022

The Authority has no outstanding long term debt as of December 31, 2022 and 2021.

Economic Factors

In late 2021, voters of Lucas County and Rossford approved changing TARTA's funding structure from a property tax to a sales tax. The .5% sales tax now funding TARTA has allowed the authority to partially recover from decades of underfunding and upgrade several aspects of the organization, including technology, facility, and fleet improvements. This change and sound financial management by the new leadership team while expanding services allowed TARTA to post its first balanced budget in many years.

Economic challenges in the coming years include building on those improvements, increased investment in aging facilities, and the hiring of more drivers to compensate for past shortfalls and expand TARTA services to cover all of Lucas County.

Agency Leadership (or Other Factors)

While the 18 months leading up to last year were about carefully building a new leadership team of skilled transit professionals, 2022 featured that leadership team putting long-ignored processes and procedures in place to create a more effective, efficient organization. Every part of TARTA has been revamped and improved since late 2019, and the difference is apparent in the services on the road, public perception, and the organization's financial reality.

CEO Laura Koprowski was awarded with a new 3-year contract in November.

New services, enhanced safety measures and redesigned routes helped TARTA rebound from the pandemic quicker than many of its peers nationwide. As public transportation ridership nationwide hovered around 70 percent of what it was prior to the pandemic, TARTA sits above 90 percent of pre-COVID ridership.

In April of 2022, Valerie J. Fatica, Michael Hart and Rev. Dr. Willie Perryman were added to TARTA's Board of Trustees as representatives of Lucas County. In December, Mary Morrison was elected President of the board, and Kendra Smith was named Vice President.

Major Accomplishments

In January of 2023, TARTA introduced TARTA Flex, a microtransit program funded through state and federal grants. This on-demand service brought public transportation to nearly all of Lucas County, including many areas that before last year had never been served by TARTA, allowed suburban residents to connect with fixed route service, and greatly expanded the number of people for whom public transit is a viable option.

2022 also brought plans to extend fixed route service to new locations (put in practice in 2023 in Springfield Township and Holland) and the restoration of Sunday and holiday service.

Other accomplishments in 2022 included:

- Finalizing and approving TARTA Next – the comprehensive organizational analysis that will help guide changes and improvements at TARTA in the coming decade
- Ramping up special transportation for events like Jeep Fest, the Glass City Marathon, and other events
- Making sweeping changes to fare collection system and other technology upgrades
- Balancing the organization's budget for the first time in a decade
- Placing all TARTA union employees under similar contracts with the same health plan, and providing employees with significant raises for the first time in 3 years
- Securing funding and making plans to update TARTA's aging fleet and facilities
- Setting organizational records for competitive grant funds won in a year
- Increasing involvement in the community through presence at events

Future Plans

The introduction of TARTA Flex and fixed route service to new areas were brought about by TARTA Next, a nearly two-year period of public engagement that changed TARTA's practices based on feedback from the people who depend on the service. Improvements to the system resulting from TARTA Next will continue in the new few years, with plans including service to Oregon, new connection point and express service on high traffic corridors.

Future Plans – continued

To put new services on the road and to prepare for the future, TARTA in 2022 conducted an unprecedented push for hiring new drivers, something that will continue into 2023 and beyond. More than 30 new drivers here brought on board in late 2022, and 2023 brought graduation for the largest class of new TARTA operators in decades.

The authority is also making a commitment to electrifying its fleet by 2035, and has started those preparations by setting aside funds and planning for subsequent changes to training both mechanics and drivers.

TARTA will continue to aggressively pursue federal and state grant opportunities, with the goals of continuing to improve its Central Avenue headquarters, its Transit Hub downtown, and its service on the road.

Requests for Information

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 32,390,959	$ 18,277,896
Investments	852,109	-
Property taxes receivable	-	13,200,000
Accounts receivable, net	330,685	407,507
Intergovernmental receivable	6,298,904	3,724,842
Inventories	756,940	615,947
Prepaids	449,309	440,276
Sales tax receivable	6,668,444	-
Total current assets	47,747,350	36,666,468
Noncurrent assets		
Capital assets not being depreciated	3,359,308	1,339,138
Capital assets being depreciated, net	27,084,201	19,131,479
Net OPEB asset	2,610,963	1,509,248
Total noncurrent assets	33,054,472	21,979,865
Total assets	80,801,822	58,646,333
Deferred outflow of resources		
Deferred pension amounts	3,220,373	1,645,270
Deferred OPEB amounts	-	741,963
Total deferred outflow of resources	3,220,373	2,387,233
Liabilities		
Current liabilities		
Accounts payable	2,422,542	3,119,161
Accrued payroll and vacation pay	1,013,233	785,667
Accrued employers' contribution to Ohio Public Employees Retirement System	-	42,125
Accrued claims	595,000	199,512
Unearned revenue	-	523,093
Other	-	59,837
Total current liabilities	4,030,775	4,729,395
Noncurrent liabilities		
Net pension liability	7,195,235	12,355,499
Total liabilities	11,226,010	17,084,894
Deferred inflows of resources		
Property taxes levied for a subsequent period	-	13,200,000
Deferred pension amounts	8,851,807	5,974,094
Deferred OPEB amounts	2,734,034	4,994,517
Total deferred inflow of resources	11,585,841	24,168,611
Net position		
Investment in capital assets	30,443,509	20,470,617
Unrestricted (deficit)	30,766,835	(690,556)
Total net position	$ 61,210,344	$ 19,780,061

See notes to financial statements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Operating revenues		
Passenger fares	1,120,823	$ 87,486
Toledo Board of Education and other contracts	439,447	848,438
Auxiliary transportation revenue	-	40,742
Total operating revenues	1,560,270	976,666
Operating expenses		
Labor	14,371,635	13,465,128
Fringe benefits	6,035,085	6,512,673
Change in pension and OPEB	(6,477,889)	(12,497,431)
Materials and supplies	4,222,310	6,650,338
Services	5,333,895	3,850,856
Fuel	1,691,423	1,327,564
Taxes	321,434	292,350
Claims and insurance	681,302	783,779
Utilities	260,042	374,275
Miscellaneous	82,765	143,549
Total operating expenses	26,522,002	20,903,081
Operating loss before depreciation	(24,961,732)	(19,926,415)
Depreciation	2,397,661	2,232,944
Operating loss	(27,359,393)	(22,159,359)
Nonoperating revenues		
Property taxes	12,184,239	11,831,180
Sales tax	27,408,823	-
Federal operating and preventive maintenance assistance	15,291,661	23,206,278
State operating and preventive maintenance grants and assistance	1,928,610	2,480,680
Investment income	14,126	1,203
Nontransportation revenues	90,396	167,536
Net Gain/(Loss) on Disposal of Capital Assets	(119,581)	139,770
Total nonoperating revenues	56,798,274	37,826,647
Net income before capital grants	29,438,881	15,667,288
Capital grants	11,991,402	270,025
Change in net position	41,430,283	15,937,313
Net position, beginning of year	19,780,061	3,842,748
Net position, end of year	$ 61,210,344	$ 19,780,061

See notes to financial statements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Receipts from fares and contracts	$ 1,113,999	$ 1,324,987
Payments to suppliers	(13,439,816)	(13,827,873)
Payments for labor and employee benefits	(19,885,628)	(20,071,663)
Net cash used in operating activities	(32,211,445)	(32,574,549)
Cash flows from noncapital financing activities		
Property tax receipts	12,184,239	11,831,180
Sales tax	20,740,379	-
Federal operating and preventive maintenance assistance	12,717,599	27,987,109
State operating and preventive maintenance grants and assistance	1,928,610	2,480,680
Nontransportation receipts	90,396	167,536
Net cash provided by noncapital financing activities	47,661,223	42,466,505
Cash flows from capital and related financing activites		
Acquisition and construction of capital assets	(12,370,553)	(1,365,472)
Capital grants received	11,991,402	270,025
Loss/Proceeds from sale of capital assets	(119,581)	183,918
Net cash used in capital and related financing activities	(498,732)	(911,529)
Cash flows from investing activities		
Interest on investments	14,126	1,203
Net change in cash and cash equivalents	14,965,172	8,981,630
Cash and cash equivalents, beginning of year	18,277,896	9,296,266
Cash and cash equivalents, end of year	$ 33,243,068	$ 18,277,896
Cash and cash equivalents from Statements of Net Position:		
Cash and cash equivalents	$ 33,243,068	$ 18,277,896

See notes to financial statements.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Reconciliation of operating (loss) to net cash (used) by operating activities		
Operating (loss)	$ (27,359,393)	$ (22,159,359)
Adjustments to reconcile operating (loss) to		
net cash (used) by operating activities		
Depreciation	2,397,661	2,232,944
Loss on disposal of capital assets		
Bad debts	-	104,552
(Increase) decrease in:		
Accounts receivable - trade and other	76,822	348,321
Inventories	(140,993)	(129,571)
Prepaids	(9,033)	(276,795)
Deferred outflows - pension and OPEB	(833,140)	2,008,820
Increase (decrease) in:		
Accounts payable	(696,619)	(40,398)
Accrued liabilities and other	521,092	(156,812)
Unearned revenue	(523,093)	-
Net pension and OPEB asset/liabilities	(6,261,979)	(17,595,787)
Deferred inflows - pension and OPEB	617,230	3,089,536
NET CASH (USED) BY OPERATING ACTIVITIES	$ (32,211,445)	$ (32,574,549)

See notes to financial statements.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND 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.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, sales tax, 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 2021 that will be collected in 2022 were recorded as a receivable and deferred inflow of resources in 2021 and recognized as revenue in 2022. In 2022 property taxes are no longer being levied. Deferred inflows arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Assets, Liabilities and Equity

Cash and Cash Equivalents

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

Inventories and Prepaids

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

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

Investments

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

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

Capital Assets

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

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Capital Assets – continued

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

Buildings	15-40 years
Land Improvements	5-10 years
Transportation Equipment	3-10 years
Transit Stations	20 years
Transit Shelters	5 years
Software	3 years
Other (primarily service equipment Furniture and Fixtures, and Computers And Computer Equipment)	5-10 years

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, 2022 and 2021.

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Position

Equity may be displayed in three components as follows:

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

Restricted-This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first, and then unrestricted resources when they are needed. There was no restricted net position at December 31, 2022.

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

Pensions/Other Postemployment Benefits (OPEB)

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

Deferred Inflows/Outflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority reported deferred inflows of resource for certain pension and OPEB related amounts, such as the difference between projected and actual earnings of the pension and OPEB plans' investments for both years and also a deferred inflow for property taxes levied for subsequent periods in 2021. More detailed information can be found in Note 5.

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

Revenue

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

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue – continued

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

Capital Grants

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

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

NOTE 2 - DEPOSIT AND INVESTMENT

At December 31, 2022, the carrying amount of all Authority deposits was $32,390,959 and the bank balance was $33,659,961. Of the bank balance, $1,352,109 was covered by the FDIC and $24,846,544 was collateralized by the Ohio Pooled Collateral System, and $7,461,308 was potentially exposed to custodial credit risk as discussed below becuase those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2022, the Authority was in the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Authority to a successful claim by the FDIC.

NOTE 2 - DEPOSIT AND INVESTMENT – continued

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

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

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

Deposits

Information regarding the Authority's deposits at December 31, 2022 and 2021 as follows:

	2022	2021
Book/carrying value of deposits:		
Cash and cash equivalents	$ 32,390,959	$ 18,277,896
Bank balance:		
Covered by federal depository insurance	$ 1,352,109	$ 672,332
Covered by pledged pooled collateral	24,846,544	18,091,076
Exposed to custodial credit risk	7,461,308	-
Total bank balance	$ 33,659,961	$ 18,763,408

NOTE 3 – ACCOUNTS AND INTERGOVERNMENTAL RECEIVABLES

Accounts and intergovernmental receivables at December 31, 2022 and 2021 consisted of the following:

	2022	2021
Intergovernmental:		
State operating assistance	$ 368,140	-
Capital grants	-	$ 49,180
Federal operating and preventive maintenance assistance	5,930,764	3,675,662
Total intergovernmental	6,298,904	3,724,842
Accounts:		
Trade and other	349,485	427,507
Less allowance for doubtful receivables	18,800	20,000
Total accounts receivables, net	$ 330,685	$ 407,507

NOTE 4 – CAPITAL ASSETS

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

	Balance January 1, 2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2022
Capital assets not Being Depreciated:				
Land	$ 743,244	$ -	$ -	$ 743,244
Construction in progress	595,894	2,616,064	(595,894)	2,616,064
Total Capital assets Not Being Depreciated	1,339,138	2,616,064	(595,894)	3,359,308
Capital assets being depreciated:				
Building				
Land improvements	22,917,716	230,622	-	23,148,338
Transit stations	1,789,250	286,443	(102,300)	1,973,393
Transportation equipment	6,582,995	-	-	6,582,995
Other equipment	24,081,650	7,717,101	(11,166,353)	20,632,398
	13,349,825	2,303,375	(5,593,127)	10,060,073
Total Capital assets Being Depreciated	68,721,436	10,537,541	(16,861,780)	62,397,197
Accumulated Depreciation for:				
Building	(10,952,349)	(521,709)	-	(11,474,058)
Land improvements	(1,652,158)	(35,294)	50,298	(1,637,154)
Transit stations	(5,172,668)	(263,565)	-	(5,436,233)
Transportation equipment	(19,794,477)	(1,180,099)	11,032,142	(9,942,434)
Other equipment	(12,018,305)	(396,994)	5,592,182	(6,823,117)
Total Accumulated Depreciation	(49,589,957)	(2,397,661)	16,674,622	(35,312,996)
Capital assets Being Depreciated ,net	19,131,479	8,139,880	(187,158)	27,084,201
Total Capital assets, net	$ 20,470,617	$ 10,755,944	$ (783,052)	$ 30,443,509

NOTE 4 – CAPITAL ASSETS - continued

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

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

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Defined Benefit Plan

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

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

NOTE 5 – DEFINED BENEFIT PENSION PLAN – continued

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

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

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

The net pension liability for OPERS was measured as of December 31, 2021 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, 2021, the Authority's proportion was 0.084389%, which resulted in no change from its proportion measured as of December 31, 2020 of 0.084389% 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:

	2022	2021
Net pension liability - all employers	$ 8,700,404,651	$ 14,807,822,857
Proportion of the net pension liability	0.082700%	0.083439%
Proportion share of net pension liability	$ 7,195,235	$ 12,355,499
Pension expense	$ (1,924,400)	$ (1,000,227)

NOTE 5 – DEFINED BENEFIT PENSION PLAN – continued

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

	2022	2021
Deferred Outflow of Resources		
Difference between expected and actual experience	$ 366,803	$ -
Changes in assumptions	899,757	-
Employer contribution to subsequent measurement date	1,953,813	1,645,270
Total	$ 3,220,373	$ 1,645,270
Deferred Inflow of Resources		
Difference between expected and actual experience	$ 157,849	$ 516,841
Net difference between projected and actual earning on investments	8,558,470	4,815,813
Change in proportionate share	135,488	641,440
Total	$ 8,851,807	$ 5,974,094

$1,953,813 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, 2022. 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:

2023	$ (1,131,961)
2024	(2,943,863)
2025	(2,012,442)
2026	(1,496,981)
	$ (7,585,247)

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

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

NOTE 5 – DEFINED BENEFIT PENSION PLAN – continued

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 beginning in calendar year 2019, the cost of living adjustment will be Based on the average percentage increase in the Consumer Price Index, capped at 3.00%.
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2022, employer rates for the State and Local Divisions were 14% of covered payroll. Member rates for the State and Local Divisions were 10% of covered payroll. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.
Measurement	December 31, 2021.
Actuarial Assumptions	**Valuation Date**: December 31, 2021 **Actuarial Cost Method**: Individual entry age **Investment Rate of Return**: 6.9% **Wage Inflation**: 2.75% **Projected Salary Increases**: 2.75% 10.75%, including wage inflation at 2.75% **Cost of Living Adjustments**: Pre 1/7/13 retirees 3.00% Simple; Post 1/7/13 retirees .50% simple through 2022, 2.05 percent simple thereafter In October 2020, the OPERS Board adopted a change in COLA for Post January 7, 2013 retirees, changing it from 1.4% simple through 2020 then 2.15% simple to 0.50% simple through 2021 then 2/15% simple.

NOTE 5 – DEFINED BENEFIT PENSION PLAN – continued

Mortality Rates	Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.
Date of Last	5 year period ended December 31, 2015
Investment Return Assumptions	The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long term expected rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. The following table displays the Board approved target asset allocation as of December 31, 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Return
Fixed Income	24%	1.03%
Domestic Equities	21%	3.78%
Real Estates	11%	3.66%
Private Equity	12%	7.43%
International Equities	23%	4.88%
Risk Parity	5%	2.92%
Other Investments	4%	2.85%
	100%	

NOTE 5 – DEFINED BENEFIT PENSION PLAN – continued

Investment Return Assumptions - continued	During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3% for 2021.
Discount Rate	The discount rate used to measure the total pension liability was 7.2%, post experience study results, for the Traditional Pension Plan, Combined Plan and Member Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.
Sensitivity of Authority's proportionate share of Net Pension Liability	

	1% Decrease (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
Sensitivity of Authority's proportionate share of Net Pension Liability	$ 18,970,553	$ 7,195,235	$ (2,603,396)

Defined Contribution Plans

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

NOTE 5 – DEFINED BENEFIT PENSION PLAN – continued

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.

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

Funding Policy

ORC provides OPERS statutory authority to set employee and employer contributions. The required contribution rates (as a percentage of covered payroll) for plan members and the Authority are 10% and 14%, respectively. The portion of the Traditional Plan and the Combined Plan employer contributions allocated to health care was 0% for calendar year 2022 and 2021. The Authority's contributions, which represent 100% of required employer contributions, for the year ended December 31, 2021 of $1,645,270 and December 31, 2022 of $1,953,813.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – continued

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

The proportionate share of each plan's unfunded benefits is presented as a long term net OPEB liability on the accrual basis of accounting. Any liability for the contractually required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

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

OPERS maintains a cost sharing, multiple employer defined benefit post employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Currently, Medicare eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverages, are deposited into an HRA. For non Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

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

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

This trust is also used to fund health care for Member Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – continued

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit with a minimum age of 60, or generally 30 years of qualifying service at any age. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' ACFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2022, the Authority contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2022, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member Directed Plan for 2022 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority was not required to make a contribution to fund health care during 2022.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – continued

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

The net OPEB asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	2022	2021
Net OPEB (asset) - all employers	$ (3,132,153,063)	$ (1,781,579,865)
Proportion of the net OPEB asset	0.083360%	0.084714%
Proportion share of net OPEB asset	$ (2,610,963)	$ (1,509,248)
OPEB expense	$ (2,622,468)	$ (11,596,499)

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

	2022	2021
Deferred Outflow of Resources		
Changes in assumptions	$ -	$ 741,963
Total	$ -	$ 741,963
Deferred Inflow of Resources		
Difference between expected and actual experience	$ 396,043	$ 1,364,715
Net difference between projected and actual earning on investments	1,244,723	803,846
Change in proportionate share	36,420	380,523
Changes in assumptions	1,056,888	2,445,433
Total	$ 2,734,074	$ 4,994,517

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2023	$ (1,668,352)
2024	(578,576)
2025	(271,966)
2026	(215,180)
	$ (2,734,074)

Actuarial Assumptions

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

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – continued

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021.

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

Actuarial Valuation Date	December 31, 2020
Rolled Forward Measurement Date	December 31, 2021
Experienced Study	5-Year Period Ended December 31, 2020
Actuarial Cost Method	Individual Entry Age
Actuarial Assumptions	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	1.84%
Wage Inflation	2.75%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.5% ultimate in 2034

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

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

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care related payments are assumed to occur mid year. Accordingly, the money weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 14.3% for 2021.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – continued

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long term expected rate of return on health care investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected real rate of return by weighing the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The table below displays the Board approved target asset allocation as of December 31, 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Returns
Fixed Income	34%	0.91%
Domestic Equities	25%	3.78%
REITs	7%	3.71%
International Equities	25%	4.88%
Risk Parity	2%	2.92%
Other Investments	7%	1.93%
Total	100%	

Discount Rate - A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2021. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax exempt municipal bond rate based on an index of 20 year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 1.84 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2121. As a result, the actuarially assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2121, the duration of the projection period through which the projected health care payments are fully funded.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – continued

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

	1% Decrease (5.0%)	Current Rate (6.0%)	1% Increase (7.0%)
Authority's proportionate share of net OPEB asset	$ (1,535,491)	$ (2,610,963)	$ (3,503,621)

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

Retiree health care valuations use a health care cost trend assumption with changes over several years built into that assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.5 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not too distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Rate	1% Increase
Authority's proportionate share of net OPEB asset	$ (2,639,178)	$ (2,610,963)	$ (2,577,491)

NOTE 7 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The Authority participates in the Ohio Transit Risk Pool, Inc. (OTRP), formerly the Ohio Transit Insurance Pool (OTIP), related to its general liability risk. A provision with respect to claims is accrued in the period in which accidents occur or in the incidence of loss is determined, based upon management's estimate of the ultimate liability. OTRP self insures the first $250,000 of any qualified property loss and the first $1,000,000 of any qualified casualty loss subject to a $1,000 per loss deductible. Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately $200,000,000 for qualified property losses and $10.000,000 or qualified casualty losses. Any underfunding of the plan's liabilities is shared by the members on a pro rata basis based on pool contribution factors composed of: population, full time employees, vehicles, property values, budget, net operating expenses and claims history (double weighted).

The Authority participates in the workers' compensation plan offered by the State of Ohio. This plan, called retrospective rating, allows the Authority to pay a fraction of the premium it would pay as an experience rated risk.

NOTE 7 – RISK MANAGEMENT - continued

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 Authority had no accrued claims liability at December 31, 2021. Accrued claims liability at December 31, 2022 amounted to approximately $95,000.

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

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

NOTE 8 – PROPERTY TAX REVENUES

The Authority was subsidized by two annual property tax levies through 2021. Revenues generated from the 1.0 mill and 1.5 mill levies were based on property valuations conducted in 2012 and triennially updated in 2021, for property located within the Authority's operating district.

Property taxes included amounts levied against all real, public utility, and tangible (used in business) property located in the Authority's operating district. Lucas and Wood Counties collected 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.

In November 2021, voters passed to repeal the Authority's funding through a 2.5 mill property tax and replace it with a .5 percent transit and transportation infrastructure sales tax for ten years, effective April 2022. This sales tax was first collected in the year ended December 31, 2022.

NOTE 9 – GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2022 and 2021:

	2022	2021
FTA preventive maintenance assistance and ADA	$ 541,938	$ 2,068,567
FTA operating assistance	415,889	4,440,542
FTA maintenance assistance	827,033	-
FTA CARES Act funding	13,506,801	16,697,169
Total	$ 15,291,661	$ 23,206,278

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2022 and 2021:

	2022	2021
State fuel tax reimbursement	$ 283,348	$ 286,216
ODT operating assistance	1,645,262	2,194,464
Total	$ 1,928,610	$ 2,480,680

NOTE 10 – UNRESTRICTED DEFICIT

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

	2021
Pension liability fund deficit	$ (16,684,323)
OPEB liability fund deficit	(2,743,306)
Undesignated	18,737,073
Total unrestricted deficit	$ (690,556)

At December 31, 2022 the Authority had a positive unrestricted net position of $30,766,835.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

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, 2022 and 2021, 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 two union contracts, which cover drivers, mechanics, administrative and TARPS employees. The Authority and the TAAP UAW Local 5242 negotiated and ratified a contract for the period September 15, 2022, to May 9, 2025. The Authority and the Amalgamated Transit union, Local 697, covering fixed line operators, paratransit operators and mechanics negotiated and ratified a contract for the period May 1, 2022 to April 30, 2025.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, which was issued in June 2017. The objective of this Statement is to increase the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE - continued

There was no material impact on the Authority's financial statements after the adoption of GASB Statement No. 87. The Authority has no material leases that qualify for recognition under GASB 87.

The Authority has cancellable leases executed in one year intervals for vehicle tire utilization which would be considered inventory and therefore be excluded from GASB 87. Total rental expense for lease amounted to approximately $140,000 and $289,000 for the years ended December 31, 2022 and 2021, respectively.

NOTE 13 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 year.

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 year.

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used by not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 year.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
(AMOUNTS WERE DETERMINED AS OF 12/31 OF EACH FISCAL YEAR)

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Authority's proportion of the net pension liability	0.082700%	0.083439%	0.084389%	0.095678%	0.084389%	0.107329%	0.100752%
Authority's proportionate share of the net pension liability	$ 7,195,235	$ 12,355,499	$ 16,680,058	$ 26,049,485	15,324,957	24,283,655	17,386,226
Authority's covered-employee payroll	$ 12,002,043	$ 11,751,929	$ 11,735,943	$ 12,983,900	$ 12,891,757	$ 12,946,857	$ 11,751,929
Authority's proprtionate share of the net pension liability as a percentage of its covered-employee payroll	59.95%	105.14%	142.13%	200.63%	118.87%	187.56%	147.94%
Plan fiduciary net position as a percentage of the total pension liability	92.62%	86.88%	82.17%	74.70%	84.66%	77.25%	81.16%

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

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Contractually required contribution	$ 1,680,286	$ 1,645,270	$ 1,643,032	$ 1,817,746	$ 1,804,846	$ 1,812,560	$ 1,704,966
Contributions in relation to the contractually required contribution	$ (1,680,286)	$ (1,645,270)	$ (1,643,032)	$ (1,817,746)	$ (1,804,846)	$ (1,812,560)	$ (1,704,966)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 12,002,043	$ 11,751,929	$ 11,735,943	$ 12,983,900	$ 12,891,757	$ 12,946,857	$ 11,751,929
Contributions as a percentage of covered employee payroll	14.00%	14.0%	14.0%	14.0%	14.0%	14.0%	14.5%

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

See accompanying notes to required supplementary information.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OTHER POSTEMPLOYMENT BENEFITS ASSET/LIABILITY AND SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
LAST FIVE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Authority's proportion of the net OPEB (asset) liability	0.083360%	0.084714%	0.085154%	0.096215%	0.099970%
Authority's proportionate share of the net OPEB (asset) liability	$ (2,610,963)	$ (1,509,248)	$ 11,761,980	$ 12,544,165	10,856,006
Authority's covered-employee payroll	$ 12,002,043	$ 11,751,929	$ 11,735,943	$ 12,983,900	$ 12,891,757
Authority's proportionate share of the net OPEB (asset) liability as a percentage of its covered-employee payroll	-21.75%	-12.84%	100.22%	96.61%	84.21%
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	128.23%	115.57%	47.80%	46.33%	54.14%

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

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 12,002,043	$ 11,751,929	$ 11,735,943	$ 12,983,900	$ 12,891,757
Contributions as a percentage of covered employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%

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

See accompanying notes to required supplementary information

NOTE 1 – NET PENSION LIABILITY – COST SHARING PLAN

Ohio Public Employees Retirement System (OPERS)

Change in benefit terms
There were no changes in benefit terms for the period 2014 - 2022.

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

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

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

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

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

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

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

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

2021-2022: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

NOTE 2 – NET OPEB LIABILITY – COST SHARING PLANS

Ohio Public Employees Retirement System (OPERS)

Change in benefit terms
There were no changes in benefit terms for the period 2018 -2020 and 2022.

NOTE 2 – NET OPEB LIABILITY – COST SHARING PLANS - continued

For 2021, the following were the most significant changes in benefit terms since the prior measurement date: the Board approved several changes to the health care plan offered to Medicare and non Medicare retirees in efforts to decrease costs and increase the solvency of the health care Plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS sponsored medical plans for non Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2020, measurement date health care valuation which are reported by the Authority at December 31, 2021. These changes significantly decreased the total OPEB liability for the measurement date December 31, 2020.

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

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

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

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

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

2021: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

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

2022: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- Change in health care cost trend rate from 8.5% to 5.5%
- The Municipal Bond Rate changed from 2.00% to 1.84%

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal AL Number**	**Provided to Subrecipients**	**Total Federal Expenditures**
U.S. Department of Transportation			
Direct Program			
Federal Transit Cluster			
Federal Transit Formula Grant	20.507		$12,012,758
COVID-19 Federal Transit Formula Grant	20.507		11,773,981
Urbanized Area Formula Grant	20.507		802,010
Total Federal Transit Formula Grant			24,588,749
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526		163,567
Total Federal Transit Cluster			24,752,316
Transit Services Programs Cluster			
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	$162,725	283,377
Public Transportation Innovation Program	20.530		368,787
Total Transit Services Programs Cluster		162,725	652,164
Total U.S. Department of Transportation		**162,725**	**25,404,480**
Total Expenditures of Federal Awards		**$162,725**	**$25,404,480**

The accompanying notes are an integral part of this schedule.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO THE SCHDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.501(B)(6)
YEAR ENDED DECEMBER 31, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Toledo Area Regional Transit Authority, Lucas County, Ohio (the Authority's) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - INDIRECT COST RATE

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

NOTE 4 -SUBRECIPIENTS

The Authority passes certain federal awards received from the U.S. Department of Transportation to other governments or not-for-profit agencies (subrecipients). As Note 2 describes, the Authority reports expenditures of Federal awards to subrecipients when paid on an accrual basis.

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

NOTE 5 – MATCHING REQUIREMENTS

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

NOTE 6 – RECONCILIATION TO SHCEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the intergovernmental revenues report in the December 31, 2022, basic financial statements to the expenditures of the Authority administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	Federal/ State Revenue	Less State Revenue	Adjustments to Prior Year Reconciliations	Federal Expenditures
Federal operating and Preventive Maintenance assistance	$ 15,291,661	$ -	$ -	$ 15,291,661
State operating and Preventive Maintenance assistance	1,928,610	506,796	-	1,421,814
Capital grants	11,991,402	2,378,583	-	9,612,819
	$ 29,211,673	$ 2,885,379	$ -	$ 26,326,294

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OHIO AUDITOR OF STATE
KEITH FABER

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

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

To the Board of Trustees:

We have audited, in accordance with 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 *(Government Auditing Standards)*, the financial statements of Toledo Area Regional Transit Authority, Lucas County, Ohio, (the Authority) as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated September 21, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Authority's Response to Finding

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

Purpose of This Report

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

Keith Faber
Auditor of State
Columbus, Ohio

September 21, 2023

OHIO AUDITOR OF STATE
KEITH FABER

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

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

To the Board of Trustees:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Toledo Area Regional Transit Authority, Lucas County, Ohio's, (the Authority) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Toledo Area Regional Transit Authority's major federal program for the year ended December 31, 2022. Toledo Area Regional Transit Authority's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Toledo Area Regional Transit Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Keith Faber
Auditor of State
Columbus, Ohio

September 21, 2023

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Federal Transit Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 762,134 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	No

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

FINDING NUMBER 2022-001

Material Weakness – Financial Reporting

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

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

- State operating and preventive maintenance grants and assistance in the amount of $1,421,814 was incorrectly classified as non-transportation revenue.
- Cash flows from receipts from fares and contracts, payments for labor and benefits, and federal operating and preventative maintenance assistance were overstated in the amount of $3,615,494, $13,200,000, and $2,574,062, respectively, due to misclassifications of cash flows.

These errors were not identified and corrected prior to the Authority preparing its financial statements and notes to the financial statements due to deficiencies in the Authority's internal controls over financial statement monitoring. Failing to prepare accurate financial statements could lead the Board of Trustees to make misinformed decisions. The accompanying financial statements have been adjusted to reflect these changes. In addition to the adjustments noted above, we also identified additional misstatements ranging from $53,693 to $500,000, which we have brought to the Authority's attention.

The Authority should adopt policies and procedures over financial reporting, including a final review of the financial statements and notes to the financial statements by the Chief Fiscal Officer and Board of Trustees to help identify and correct errors and omissions.

Officials' Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	Finding was first issued as a significant deficiency in the 2020 audit. Material weakness due to errors in financial reporting.	Not corrected and reissued as Finding 2022-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements prior to filing the Authority's annual report.

TARTA

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
DECEMBER 31, 2022

Finding Number:	2022-001
Planned Corrective Action:	The Authority has updated accounting policies and procedures, including policies and procedures over financial reporting, a final review of the financial statements and notes to the financial statements by the Chief Financial Officer and Board of Trustees to help identify and correct errors and omissions. The Authority will engage services of a CPA company to facilitate and improve final review and compilation of the financial statements and notes to the financial statements.
Anticipated Completion Date:	9/30/2023
Responsible Contact Person:	Sophie Giviyan, CFO

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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OHIO AUDITOR OF STATE
KEITH FABER

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

LUCAS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/28/2023

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