

**TOLEDO AREA REGIONAL TRANSIT
AUTHORITY LUCAS COUNTY**

REGULAR AUDIT AND SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2023

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Toledo Area Regional Transit Authority
PO Box 792
Toledo, Ohio 43697

We have reviewed the *Independent Auditor's Report* of the Toledo Area Regional Transit Authority, Lucas County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2023 through December 31, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

November 19, 2024

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**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
LUCAS COUNTY
DECEMBER 31, 2023**

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Independent Auditor's Report

To the Board of Trustees
Toledo Area Regional Transit Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Toledo Area Regional Transit Authority, Lucas County, Ohio (the "Authority") as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise Toledo Area Regional Transit 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 respective financial position of the of Toledo Area Regional Transit Authority as of December 31, 2023 and the respective changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Report on Prior Year Financial Statements

The basic financial statements of Toledo Area Regional Transit Authority as of and for the year ended December 31, 2022 were audited by other auditors, who expressed an unmodified opinion on September 21, 2023.

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 12 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 opinion. 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 other required supplementary information, as identified in the table of contents, 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, which 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.

To the Board of Trustees
Toledo Area Regional Transit Authority

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Toledo Area Regional Transit Authority's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (the "Uniform Guidance") is presented for the purpose 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 October 25, 2024 on our consideration of Toledo Area Regional Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Toledo Area Regional Transit 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 Toledo Area Regional Transit Authority's internal control over financial reporting and compliance.



October 25, 2024

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, 2023 and 2022. 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 2023

- The Authority's total net position increased \$17,882,764 over the course of 2023, with operating expenses before depreciation running \$9,237,551 higher than in 2022.
- The Authority's operating expenses, excluding depreciation, were \$35,759,553 in 2023. The increase is primarily due to the change in OPER'S's pension and OPEB asset/liability.
- Operating revenues for the Authority increased \$400,242 in 2023 compared to 2022, due in large part to reinstatement of fares for a full year in 2023 as opposed to partial year in 2022.
- Sales tax revenues of \$41,703,077 were up \$14,294,254 compared to 2022. Increase in the current year relates to the authority having an full year worth of sales tax revenue, in comparison to only nine months in the prior year.
- Total Federal and State funding decreased \$10,039,754 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 increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, results in increased net position, which indicates an 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).

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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.

	<u>2023</u>	<u>2022</u>
ASSETS		
Current and other assets	\$ 63,880,131	\$ 50,358,313
Capital assets, net	<u>33,968,837</u>	<u>30,443,509</u>
TOTAL ASSETS	<u>97,848,968</u>	<u>80,801,822</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>12,446,065</u>	<u>3,220,373</u>
LIABILITIES		
Other liabilities	4,891,807	4,030,775
Long-term liabilities	<u>26,094,399</u>	<u>7,195,235</u>
TOTAL LIABILITIES	<u>30,986,206</u>	<u>11,226,010</u>
DEFERRED INFLOWS OF RESOURCES	<u>223,675</u>	<u>11,585,841</u>
NET POSITION		
Investment in capital assets	33,968,837	30,443,509
Unrestricted (deficit)	<u>45,116,315</u>	<u>30,766,835</u>
TOTAL NET POSITION	<u>\$ 79,085,152</u>	<u>\$ 63,821,307</u>

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The largest portion of the Authority's net position reflect investment in capital assets (e.g. diesel buses, operating facilities). The Authority uses these assets to provide public transportation service for the Cities of Toledo, Sylvania, Maumee, 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, 2023

Investment in capital assets increased to \$33,968,837 in 2023 from \$30,443,509 in 2022. The increase was due to large capital acquisitions. The Authority had \$7,651,584 in additions primarily related to land improvement, vehicles and equipment. The Authority disposals were \$433,633 which consisted primarily of disposal of old vehicles and obsolete equipment.

The net pension liability, included in long term liabilities, recognized by the Authority at December 31, 2023 increased to \$25,551,547. Related deferred outflows increased to \$10,837,726. Related deferred inflows as of December 31, 2023 decreased to \$26,230. 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) liability, included in noncurrent liabilities, of \$542,852 at December 31, 2023. Related deferred outflows increased to \$1,608,339 and deferred inflows decreased to \$197,445 as of December 31, 2023. These changes were recorded as a result of changes in assumptions to the net OPEB liability, recognition of investment gains/losses, and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

REVENUES		
Operating revenues	\$ 1,960,512	\$ 1,560,270
Operating expenses, excluding depreciation	(35,767,509)	(26,522,002)
Depreciation expense	<u>(2,827,747)</u>	<u>(2,397,661)</u>
Operating loss	(36,634,744)	(27,359,393)
Nonoperating revenues:		
Property taxes	-	12,184,239
Sales tax	41,703,077	27,408,823
Federal operating and preventive maintenance grants	6,277,283	15,291,661
State operating and preventive maintenance grants	903,234	1,928,610
Other nonoperating revenues	1,083,333	104,522
Net Gain/(Loss) on Disposal of Capital Assets	<u>9,040</u>	<u>(119,581)</u>
Total nonoperating revenues	49,975,967	56,798,274
Capital grants	<u>4,533,585</u>	<u>11,991,402</u>
Increase (decrease) in net position	17,874,808	41,430,283
Net position, beginning of year	<u>61,210,344</u>	<u>19,780,061</u>
Net position, end of year	<u>\$ 79,085,152</u>	<u>\$ 61,210,344</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority's operating revenues for 2023 were \$1,960,512 due to the start of passenger fares collection. Passenger fare revenue increased by \$836,185.

Operating expenses, excluding depreciation and changes in pension and OPEB, increased by \$1,837,393 in 2023. 2023 nonoperating revenues of \$49,975,967 decreased \$6,822,307, primarily due to the additional federal revenue received in the prior year

Capital Grants

Capital grants from federal and state agencies in 2023 were \$4,533,585. Capital grants from federal and state agencies in 2022 were \$11,991,402.

Capital Asset and Debt Administration

Capital Asset 2023

The Authority's investment in capital assets amounts increased to \$33,886,952, net of accumulated depreciation, as of December 31, 2023, which was an increase of \$3,443,443 compared with 2022. 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.

Long-Term Debt 2023

The Authority has no outstanding long-term debt as of December 31, 2023 and 2022.

Economic Factors

Improved financial processes, a change in TARTA's funding structure from a property tax to a sales tax (2021) and the sound financial management from a new leadership team has allowed TARTA to partially recover from decades of underfunding. TARTA continues to aggressively pursue grant funds at both the federal and state levels to upgrade its fleet, facilities, and technological capabilities.

As recovery continues, TARTA has an eye on the economic challenges of the future, which include building on existing service and customer-focused improvements, continuing the push to recruit new operators, and preparing to welcome to full-size electric vehicles and train its personnel to work on them.

TARTA continues to face the same challenging recruitment conditions impact the public transit industry nationwide. A shortage of operators coupled with the increasing cost to recruit and retain employees remains a factor, as does inflation and supply chain issues.

TARTA has started the process of upgrading its facilities, which makes the steadily rising cost of capital projects and materials necessary for those projects a growing concern. Supply chain issues in the transportation industry caused by bankruptcies persist, narrowing the field of potential suppliers for services and causing continual delays in the delivery of both diesel and electric vehicles.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Agency Leadership (or Other Factors)

TARTA's leadership team has continued to build on improvements to the existing mobility system. Chief Customer Experience and Mobility Officer Rick Bailey joined the team in April of 2023, and Chief Human Resources Officer Ursula Barerra-Richards arrived at TARTA in April of 2024.

TARTA rebounded from the pandemic quicker than many of its peers nationwide, due in part to service expansion and customer-focused improvements in 2023. Public perception of the organization has continued to improve, and long-ignored processes have been put in place or improved in the last 3 years.

In late 2023, Mary Morrison was re-elected President and Kendra Smith Vice President of TARTA's Board of Trustees. Sylvania Township representative Joel Beren added to the Board last year.

Major Accomplishments

TARTA's pilot microtransit program, TARTA Flex, began service in January of 2023, and has drawn twice the ridership of the Call-A-Ride system it replaced. 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, greatly expanding the number of people for whom public transit is a viable option.

TARTA expanded its fixed-route and paratransit service footprint in 2023 with the addition of regular service to Springfield Township and Holland. Also in 2023, the Authority prepared both financially and from a service perspective for a planned expansion of fixed-route, paratransit and TARTA Flex on-demand services into the City of Oregon.

In the summer of 2023, TARTA received a \$9 million grant from the Federal Transit Administration in partnership with ODOT. This grant will fund the delivery of eight full-sized electric buses and six electric chargers. In addition, the grant funds training to work on these vehicles for TARTA operators and mechanics.

TARTAZero is TARTA's campaign to field a fully electric fleet by 2040. TARTA's paratransit fleet saw the addition of three electric plug-in vehicles in early 2024 and expects delivery of three more in the coming months.

Other accomplishments in 2023 included:

- Hosting a community event at the Glass Center to thank those who took part in the TARTA Next redesign and expansion, and give those community partners an idea of what lies in TARTA's future
- Making significant progress toward introducing fare-capping into its ticket system
- Increased involvement in the community through presence at events
- Launched a new youth summer pass program
- Significant uptick in amount of positive media coverage
- Building a budget surplus for the first time in decades

Future Plans

TARTA actively pursues federal and state grant opportunities with the goals of continued improvements to the Central Avenue headquarters, modernize its aging fleet and improve the customer experience. Grants awarded in 2023 allow funding for:

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Future Plans – continued

- 2 new full-sized electric buses
- Workforce training
- Travel training for youth
- Improvement of connection point and customer waiting zones

Among the workforce-related grants awarded in 2023 were funds from the Ohio Department of Transportation to develop a program for training operators and mechanics to work on electric vehicles, and a grant to study the workforce mobility needs of Wood County, with an emphasis on Perrysburg Township.

Future plans include building on the improvements of TARTA Next by studying the effectiveness and efficiency of existing routes, recruiting team members to help service a growing system, building bridges to the community through relationships with important community partners, preparing our workforce and facilities for an electric vehicle fleet, and finding innovative ways to improve the commute of northwest Ohioans.

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 34,923,852	\$ 32,390,959
Investments	12,809,935	852,109
Accounts receivable, net	415,562	330,685
Intergovernmental receivable	2,388,233	6,298,904
Sales tax receivable	6,809,470	6,668,444
Inventories	2,185,892	756,940
Prepays	143,870	449,309
	<u>59,676,814</u>	<u>47,747,350</u>
Noncurrent assets		
Investments	4,203,317	-
Capital assets not being depreciated	5,719,923	3,359,308
Capital assets being depreciated, net	28,248,914	27,084,201
Net OPEB asset	-	2,610,963
	<u>38,172,154</u>	<u>33,054,472</u>
Total assets	<u>97,848,968</u>	<u>80,801,822</u>
Deferred outflow of resources		
Deferred pension amounts	10,837,726	3,220,373
Deferred OPEB amounts	1,608,339	-
	<u>12,446,065</u>	<u>3,220,373</u>
Liabilities		
Current liabilities		
Accounts payable	3,335,674	2,422,542
Accrued payroll and vacation pay	1,202,856	1,013,233
Accrued employers' contribution to Ohio Public Employees Retirement System	188,861	-
Accrued claims	164,416	595,000
	<u>4,891,807</u>	<u>4,030,775</u>
Noncurrent liabilities		
Net pension liability	25,551,547	7,195,235
Net OPEB liability	542,852	-
	<u>26,094,399</u>	<u>7,195,235</u>
Total liabilities	<u>30,986,206</u>	<u>11,226,010</u>
Deferred inflows of resources		
Deferred pension amounts	26,230	8,851,807
Deferred OPEB amounts	197,445	2,734,034
	<u>223,675</u>	<u>11,585,841</u>
Net position		
Investment in capital assets	33,968,837	30,443,509
Restricted - OPEB	-	2,610,963
Unrestricted	45,116,315	28,155,872
Total net position	<u>\$ 79,085,152</u>	<u>\$ 61,210,344</u>

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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Passenger fares	1,957,008	\$ 1,120,823
Toledo Board of Education and other contracts	3,504	439,447
	<u>1,960,512</u>	<u>1,560,270</u>
Operating expenses		
Labor	15,313,907	14,371,635
Fringe benefits	7,112,394	6,035,085
Change in pension and OPEB	922,269	(6,477,889)
Materials and supplies	3,742,395	4,222,310
Services	4,577,477	5,333,895
Fuel	2,288,296	1,691,423
Taxes	255,363	321,434
Claims and insurance	267,840	681,302
Utilities	339,557	260,042
Miscellaneous	948,011	82,765
	<u>35,767,509</u>	<u>26,522,002</u>
Operating loss before depreciation	<u>(33,806,997)</u>	<u>(24,961,732)</u>
Depreciation	<u>2,827,747</u>	<u>2,397,661</u>
Operating loss	<u>(36,634,744)</u>	<u>(27,359,393)</u>
Nonoperating revenues		
Property taxes	-	12,184,239
Sales tax	41,703,077	27,408,823
Federal operating and preventive maintenance assistance	6,277,283	15,291,661
State operating and preventive maintenance grants and assistance	903,234	1,928,610
Investment income	987,164	14,126
Nontransportation revenues	96,169	90,396
Net Gain/(Loss) on Disposal of Capital Assets	9,040	(119,581)
	<u>49,975,967</u>	<u>56,798,274</u>
Net income before capital grants	13,341,223	29,438,881
Capital grants	<u>4,533,585</u>	<u>11,991,402</u>
Change in net position	17,874,808	41,430,283
Net position, beginning of year	<u>61,210,344</u>	<u>19,780,061</u>
Net position, end of year	<u>\$ 79,085,152</u>	<u>\$ 61,210,344</u>

See notes to financial statements.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
Cash flows from operating activities		
Receipts from fares and contracts	\$ 1,875,635	\$ 1,113,999
Payments to suppliers	(12,629,320)	(13,439,816)
Payments for labor and employee benefits	(22,478,401)	(19,885,628)
	(33,232,086)	(32,211,445)
Cash flows from noncapital financing activities		
Property tax receipts	-	12,184,239
Sales tax receipts	41,562,051	20,740,379
Federal operating and preventive maintenance assistance	10,187,954	12,717,599
State operating and preventive maintenance grants and assistance	903,234	1,928,610
Nontransportation receipts	96,169	90,396
	52,749,408	47,661,223
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(6,353,075)	(12,557,711)
Capital grants received	4,533,585	11,991,402
Proceeds from sale of capital assets	9,040	67,577
	(1,810,450)	(498,732)
Cash flows from investing activities		
Interest on investments	987,164	14,126
Maturity of investments	4,519,142	-
Purchase of investments	(20,680,285)	(852,109)
	(15,173,979)	(837,983)
Net cash and cash equivalents used in investing activities		
	(15,173,979)	(837,983)
Net change in cash and cash equivalents	2,532,893	14,113,063
Cash and cash equivalents, beginning of year	32,390,959	18,277,896
Cash and cash equivalents, end of year	\$ 34,923,852	\$ 32,390,959
Cash and cash equivalents from Statements of Net Position:		
Cash and cash equivalents	\$ 34,923,852	\$ 32,390,959

See notes to financial statements.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

Reconciliation of operating (loss) to net cash and cash equivalents (used) by operating activities		
Operating (loss)	\$ (36,634,744)	\$ (27,359,393)
Adjustments to reconcile operating (loss) to net cash and cash equivalents (used) by operating activities		
Depreciation	2,827,747	2,397,661
(Increase) decrease in:		
Accounts receivable - trade and other	(84,877)	76,822
Inventories	(1,428,952)	(140,993)
Prepays	305,439	(9,033)
Deferred outflows - pension and OPEB	(9,225,692)	(833,140)
Increase (decrease) in:		
Accounts payable	913,132	(696,619)
Accrued liabilities and other	(52,100)	521,092
Unearned revenue	-	(523,093)
Net pension and OPEB asset/liabilities	21,510,127	(6,261,979)
Deferred inflows - pension and OPEB	<u>(11,362,166)</u>	<u>617,230</u>
 NET CASH AND CASH EQUIVALENTS (USED) BY OPERATING ACTIVITIES	 <u>\$ (33,232,086)</u>	 <u>\$ (32,211,445)</u>

See notes to financial statements.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

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 2023 property taxes are no longer being levied. Deferred inflows arise when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Assets, Liabilities and Equity

Cash and Cash Equivalents and Investments

The balances in cash and cash equivalents are available to meet current operating requirements. Cash and cash equivalents in excess of current requirements are invested in various interest-bearing securities and disclosed as part of the Authority's investments.

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.

Investments include amounts in certificates of deposits and U.S. Government Securities. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

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.

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.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

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

Capital Assets

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

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

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

Compensated Absences

The liability for compensated absences consists of unpaid, accumulated annual vacation pay. In accordance with the Authority personnel policies and/or contracts negotiated with the various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused vacation under formulas and conditions specified in the respective personal policies and/or contracts.

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

Budgets and Budgetary Accounting

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

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, 2023. There was \$2,610,963 restricted for OPEB assets at 12/31/22.

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

Pensions/Other Postemployment Benefits (OPEB)

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

Deferred Inflows/Outflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority 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. More detailed information can be found in Notes 6 & 7.

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 certain pension and OPEB related amounts, such as 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 Notes 6 & 7.

Revenue

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

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

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 applicable.

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 - DEPOSITS AND INVESTMENTS

The cash and cash equivalents and investments referred to below have been reported on the financial statements based upon criteria disclosed in Note 1. The following summarizes the categories of these amounts as of December 31:

	2023	2022
Cash and cash equivalents	\$ 34,923,852	\$ 32,390,959
Investments - current	12,809,935	852,109
Investments - noncurrent	4,203,317	-
	\$ 51,937,104	\$ 33,243,068

As of December 31, the Authority had cash, cash equivalents, and investments summarized by the carrying values in the following categories:

	2023	2022
Deposits		
Checking and savings	\$ 31,254,922	\$ 32,389,259
Money market	3,667,034	-
Certificates of deposit	4,203,317	852,109
Petty cash	1,896	1,700
Investments	12,809,935	-
	\$ 51,937,104	\$ 33,243,068

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSIT AND INVESTMENT - continued

The Authority has \$15,707 in restricted cash as of December 31, 2023, which is included in cash and cash equivalents noted above related to proceeds from the sale of capital assets acquired with capital grant funds.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2023, \$31,438,757 of the Authority's bank balance of \$32,190,627 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of December 31, 2022, \$32,307,852 of the Authority's bank balance of \$33,659,961 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments

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. 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.

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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Government Bond U-2024	\$ 2,541,142	0.089
U.S. Treasury Bill	5,200,650	0.187
U.S. Government Bond Y-2024	2,533,410	0.332
U.S. Government Bond BE - 2024	2,534,733	0.568
	<u>\$ 12,809,935</u>	

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSIT AND INVESTMENT - continued

Credit Risk

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Standard & Poor's Rating
U.S. Government Bond U-2024	\$ 2,541,142	AAA
U.S. Government Bond Y-2024	2,533,410	AAA
U.S. Treasury Bill	5,200,650	Unrated
U.S. Government Bond BE - 2024	2,534,733	Unrated
	\$ 12,809,935	

Concentration of 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. The Authority does not have a deposit policy for concentration of credit risk.

Foreign Currency Risk

The Authority is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The Authority is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Authority's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSIT AND INVESTMENT - continued

Fair Value Measurement - continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

	Level 1	Level 2	Level 3	Balance at Dec 31,2023
Investments by fair value level				
U.S. Treasury Bill	\$ 5,200,650	\$ -	\$ -	\$ 5,200,650
U.S. Government Bonds	-	7,609,285	-	7,609,285
Total Investments	\$ 5,200,650	\$ 7,609,285	\$ -	\$ 12,809,935

NOTE 3 -RECEIVABLES

Receivables at December 31, 2023 and 2022 consisted of the following:

	2023	2022
Intergovernmental:		
State operating assistance	\$ 243,262	\$ 368,140
Federal operating and preventive maintenance assistance	2,144,971	5,930,764
Total intergovernmental	2,388,233	6,298,904
Accounts:		
Trade and other	435,562	349,485
Less: allowance for doubtful receivables	(20,000)	(18,800)
Total accounts receivables, net	415,562	330,685
Sales Tax Receivable	6,809,470	6,668,444
Total receivables	\$ 9,613,265	\$ 13,298,033

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

	Balance January 1, 2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2023
Capital assets not Being Depreciated:				
Land	\$ 743,244	\$ -	\$ -	\$ 743,244
Construction in progress	2,616,064	5,913,099	(3,552,484)	4,976,679
Total Capital assets Not Being Depreciated	3,359,308	5,913,099	(3,552,484)	5,719,923
Capital assets being depreciated:				
Building	23,148,338	-	-	23,148,338
Land improvements	1,973,393	1,266,672	-	3,240,065
Transit stations	6,582,995	-	-	6,582,995
Transportation equipment	20,632,398	1,046,216	(426,061)	21,252,553
Other equipment	10,060,073	1,682,918	(7,572)	11,735,419
Total Capital assets Being Depreciated	62,397,197	3,995,806	(433,633)	65,959,370
Accumulated Depreciation for:				
Building	(11,474,058)	(531,549)	-	(12,005,607)
Land improvements	(1,637,154)	(32,686)	-	(1,669,840)
Transit stations	(5,436,233)	(197,989)	-	(5,634,222)
Transportation equipment	(9,942,434)	(1,328,882)	422,715	(10,848,601)
Other equipment	(6,823,117)	(736,641)	7,572	(7,552,186)
Total Accumulated Depreciation	(35,312,996)	(2,827,747)	430,287	(37,710,456)
Capital assets Being Depreciated ,net	27,084,201	1,168,059	(3,346)	28,248,914
Total Capital assets, net	\$ 30,443,509	\$ 7,081,158	\$ (3,555,830)	\$ 33,968,837

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS - continued

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	22,917,716	230,622	-	23,148,338
Land improvements	1,789,250	286,443	(102,300)	1,973,393
Transit stations	6,582,995	-	-	6,582,995
Transportation equipment	24,081,650	7,717,101	(11,166,353)	20,632,398
Other equipment	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 5 – COMPENSATED ABSENCES

The following is a summary of changes in compensated absences (including current portion) of the Authority for the year ended December 31, 2023.

	Balance January 1, 2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2023	Amounts Due Within One Year
Compensated absences	\$ 560,403	\$ 586,525	\$ (560,403)	\$ 586,525	\$ 586,525

Compensated Absences

In accordance with Authority personnel policies and/or contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payment for unused vacation leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights amounted to \$586,525 for vacation at December 31, 2023, and has been recorded as a current liability because the Authority estimates that usage in any given year is equal to or greater than the outstanding balance from the previous year.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – 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.

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, 2022 and December 31, 2021, respectively and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the 12/31/23 and statements 12/31/22 respectively. 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

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – DEFINED BENEFIT PENSION PLAN – continued

contributions of all participating entities. At December 31, 2023, the Authority's proportion was 0.086498%, which is a change from its proportion measured as of December 31, 2022 of 0.082700%. 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:

	2023	2022
Net pension liability - all employers	\$ 29,540,043,780	\$ 8,700,404,651
Proportion of the net pension liability	0.086498%	0.082700%
Proportion share of net pension liability	\$ 25,551,547	\$ 7,195,235
Pension expense (benefit)	\$ 3,952,108	\$ (1,924,400)

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

	2023	2022
Deferred Outflow of Resources		
Difference between expected and actual experience	\$ 848,715	\$ 366,803
Changes in assumptions	269,934	899,757
Difference between projected and actual investment earnings	7,282,994	-
Changes in proportion and difference between entities	401,034	-
Employer contribution to subsequent measurement date	2,035,049	1,953,813
Total	\$ 10,837,726	\$ 3,220,373
Deferred Inflow of Resources		
Difference between expected and actual experience	\$ -	\$ 157,849
Net difference between projected and actual earning on investments	-	8,558,470
Change in proportionate share	26,230	135,488
Total	\$ 26,230	\$ 8,851,807

\$2,035,049 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, 2024. 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:

2024	\$ (988,809)
2025	(1,701,376)
2026	(2,143,740)
2027	13,610,372
	\$ 8,776,447

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

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

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – 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	<p>Benefits are calculated on the basis of age, final average salary (FAS) and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of services. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.</p> <p>Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.</p> <p>The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost of living adjustment.</p>
Cost-of-Living Adjustments	<p>Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months:</p> <p style="padding-left: 40px;">Pre 1/7/2013 an annual 3% cost of living adjustment is provided on the member's base</p> <p style="padding-left: 40px;">Post 1/7/2013 beginning in calendar year 2019, the cost of living adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.</p>
Contribution Rates	<p>Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 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.</p>
Measurement	<p>December 31, 2022 and 2021, respectively</p>
Actuarial Assumptions For 2023 And 2022	<p>Valuation Date: December 31, 2022 and 2021 Actuarial Cost Method: Individual entry age Investment Rate of Return: 6.9% Wage Inflation: 2.75% Projected Salary Increases: 2.75% to 10.75%, including wage inflation at 2.75% Municipal Bond Rate: 4.05%</p> <p>Cost of Living Adjustments: Pre 1/7/13 retirees from 0.50% to 3.00% Simple; Post 1/7/13 retirees 3.00% simple through 2023, 2.05% simple thereafter</p> <p>In October 2020, the OPERS Board adopted a change in COLA for Post January 7, 2013 retirees, changing it from 1.4% simple through 2020 then 2.15% simple to 0.50% simple through 2021, then 2.15% simple.</p>

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – 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.																											
Investment Return Assumptions	<p>The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long term expected rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of 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, 2022 and the long-term expected real rates of return:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;"><u>Asset Class</u></th> <th style="text-align: center;"><u>Target Allocation</u></th> <th style="text-align: center;"><u>Long-Term Expected Return</u></th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td style="text-align: center;">22%</td> <td style="text-align: center;">2.62%</td> </tr> <tr> <td>Domestic Equities</td> <td style="text-align: center;">22%</td> <td style="text-align: center;">4.60%</td> </tr> <tr> <td>Real Estates</td> <td style="text-align: center;">13%</td> <td style="text-align: center;">3.27%</td> </tr> <tr> <td>Private Equity</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">7.53%</td> </tr> <tr> <td>International Equities</td> <td style="text-align: center;">21%</td> <td style="text-align: center;">5.51%</td> </tr> <tr> <td>Risk Parity</td> <td style="text-align: center;">2%</td> <td style="text-align: center;">4.37%</td> </tr> <tr> <td>Other Investments</td> <td style="text-align: center;">5%</td> <td style="text-align: center;">3.27%</td> </tr> <tr> <td></td> <td style="text-align: center;"><u>100%</u></td> <td></td> </tr> </tbody> </table>	<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Return</u>	Fixed Income	22%	2.62%	Domestic Equities	22%	4.60%	Real Estates	13%	3.27%	Private Equity	15%	7.53%	International Equities	21%	5.51%	Risk Parity	2%	4.37%	Other Investments	5%	3.27%		<u>100%</u>	
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**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – DEFINED BENEFIT PENSION PLAN – continued

Investment Return Assumptions - continued	During 2022, 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 (12.1%) for 2022 and 15.3% for 2021.									
Discount Rate	The discount rate used to measure the total pension liability was 6.9% 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	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"></th> <th style="width: 33%; text-align: center;">Current Discount Rate</th> <th style="width: 33%;"></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1% Decrease (5.9%)</td> <td style="text-align: center;">(6.9%)</td> <td style="text-align: center;">1% Increase (7.9%)</td> </tr> <tr> <td style="text-align: center;"><u>\$ 38,275,365</u></td> <td style="text-align: center;"><u>\$ 25,551,547</u></td> <td style="text-align: center;"><u>\$ 14,967,614</u></td> </tr> </tbody> </table>		Current Discount Rate		1% Decrease (5.9%)	(6.9%)	1% Increase (7.9%)	<u>\$ 38,275,365</u>	<u>\$ 25,551,547</u>	<u>\$ 14,967,614</u>
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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.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – 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 employment health care benefits. OPERS provide retirement, disability, survivor and post employment 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 2023 and 2022. The Authority's contributions, which represent 100% of required employer contributions, for the year ended December 31, 2022 of \$1,953,813 and December 31, 2023 of \$2,035,049.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

As described in Note 6, OPERS provides benefits other than pensions, such as health care, that meet the GASB criteria for other postemployment benefits (OPEB).

The net OPEB liability/asset 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/asset 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/asset 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/asset 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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – continued

GASB 75 assumes the liability/asset is solely the obligation/benefit 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/asset. Resulting adjustments to the net OPEB liability/asset 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 - 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.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – 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 2023, 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 2023, 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 2023 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 2023.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – continued

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

The net OPEB liability and asset and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2021, rolled forward to the measurement date of December 31, 2022, for the 12/31/23 year and 12/31/20 rolled forward to the measurement date of 12/31/2021 for the 12/31/22 year, 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:

	<u>2023</u>	<u>2022</u>
Net OPEB (asset)/liability - all employers	\$ 630,519,175	\$ (3,132,153,063)
Proportion of the net OPEB (asset)/liability	0.086096%	0.083360%
Proportion share of net OPEB (asset)/liability	\$ 542,852	\$ (2,610,963)
OPEB expense (benefit)	\$ (985,409)	\$ (2,622,468)

At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>	<u>2022</u>
Deferred Outflow of Resources		
Changes in assumptions	\$ 530,216	\$ -
Difference between projected and actual investment earnings	1,078,123	-
Total	<u>\$ 1,608,339</u>	<u>\$ -</u>
Deferred Inflow of Resources		
Difference between expected and actual experience	\$ 135,408	\$ 396,043
Net difference between projected and actual earning on investments	-	1,244,723
Change in proportionate share	18,409	36,420
Changes in assumptions	43,628	1,056,888
Total	<u>\$ 197,445</u>	<u>\$ 2,734,074</u>

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

2024	\$ (178,004)
2025	(394,282)
2026	(336,194)
2027	2,319,374
	<u>\$ 1,410,894</u>

Actuarial Assumptions

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

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – 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, 2021, rolled forward to the measurement date of December 31, 2022.

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:

	<u>2023</u>
Actuarial Valuation Date	December 31, 2021
Rolled Forward Measurement Date	December 31, 2022
Experienced Study	5-Year Period Ended December 31, 2020
Actuarial Cost Method	Individual Entry Age
Actuarial Assumptions	
Single Discount Rate	5.22%
Investment Rate of Return	6.00%
Municipal Bond Rate	4.05%
Wage Inflation	2.75%
	2.75% - 10.75%
Projected Salary Increases	(includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.5% ultimate in 2036
	<u>2022</u>
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%
	2.75% - 10.75%
Projected Salary Increases	(includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.5% initial, 3.5% ultimate in 2036

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 2022, 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 (15.6%) for 2022 and 14.3% for 2021.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – 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, 2022 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Returns
Fixed Income	34%	2.56%
Domestic Equities	26%	4.60%
REITs	7%	4.70%
International Equities	25%	5.51%
Risk Parity	2%	4.37%
Other Investments	6%	1.84%
Total	100%	

Discount Rate

A single discount rate of 5.22% was used to measure the total OPEB liability on the measurement date of December 31, 2022; however, the single discount rate used at the beginning of the year was 6.00%. 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) a 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 the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. 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 the year 2054. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS – continued

Sensitivity of the Authority's - Proportionate Share of the Net OPEB Liability and Asset to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability and asset calculated using the single discount rate of 5.22 percent, as well as what the Authority's proportionate share of the net OPEB liability and asset would be if it were calculated using a discount rate that is one percentage point lower (4.22 percent) or one percentage point higher (6.22 percent) than the current rate:

	1% Decrease (4.22%)	Current Rate (5.22%)	1% Increase (6.22%)
Authority's proportionate share of net OPEB (asset) liability	\$ 1,847,620	\$ 542,852	\$ (533,795)

Sensitivity of the Authority's - Proportionate Share of the Net OPEB Liability and 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 liability and asset. The following table presents the net OPEB liability and asset calculated using the assumed trend rates, and the expected net OPEB liability and 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) liability	\$ 508,827	\$ 542,852	\$ 581,148

NOTE 8 – 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 when 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.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – 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 \$95,000 accrued claims liability at December 31, 2022. Accrued claims liability at December 31, 2023 amounted to approximately \$30,582.

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 9 – GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2023 and 2022:

	2023	2022
FTA preventive maintenance assistance and ADA	\$ 669,988	\$ 541,938
FTA operating assistance	2,179,283	415,889
FTA maintenance assistance	3,248,403	827,033
FTA CARES Act funding	-	13,506,801
Other	179,609	-
Total	\$ 6,277,283	\$ 15,291,661

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2023 and 2022:

	2023	2022
State fuel tax reimbursement	\$ 271,815	\$ 283,248
ODT operating assistance	631,419	1,645,262
Total	\$ 903,234	\$ 1,928,510

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 – 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, 2023 and 2022, 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.

Construction

The Authority has construction commitments at the end of 12/31/2023 with a total amount of \$1,274,363.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2023, the Authority implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*, which was issued in May 2020. 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.

There was no material impact on the Authority's financial statement after the adoption of GASB Statement No. 96.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – UPCOMING ACCOUNTING PRONOUNCEMENTS

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 periods, (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 fiscal 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 but 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 2024 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal 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)
LAST EIGHT FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	Year Ended December 31, 2023	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	0.086498%	0.082700%	0.083439%	0.084389%	0.095678%	0.084389%	0.107329%	0.100752%
Authority's proportionate share of the net pension liability	\$ 25,551,547	\$ 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	\$ 14,740,823	\$ 12,002,043	\$ 11,751,929	\$ 11,735,943	\$ 12,983,900	\$ 12,891,757	\$ 12,946,857	\$ 11,751,929
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212.89%	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	75.74%	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, 2023	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	\$ 2,063,715	\$ 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	<u>\$ (2,063,715)</u>	<u>\$ (1,680,286)</u>	<u>\$ (1,645,270)</u>	<u>\$ (1,643,032)</u>	<u>\$ (1,817,746)</u>	<u>\$ (1,804,846)</u>	<u>\$ (1,812,560)</u>	<u>\$ (1,704,966)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 14,740,823	\$ 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%	14.0%	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 SIX FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	Year Ended December 31, 2023	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	0.086096%	0.083360%	0.084714%	0.085154%	0.096215%	0.099970%
Authority's proportionate share of the net OPEB (asset) liability	\$ 542,852	\$ (2,610,963)	\$ (1,509,248)	\$ 11,761,980	\$ 12,544,165	10,856,006
Authority's covered-employee payroll	\$ 14,740,823	\$ 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	3.68%	-21.75%	-12.84%	100.22%	96.61%	84.21%
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%	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, 2023	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	\$ 14,740,823	\$ 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%	0.0%

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

See accompanying notes to required supplementary information

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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 2016 - 2023.

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.

2023: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 0.50% to 3.00% for post 1/7/13 retirees.

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 2023.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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%

2023: 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 6.00% to 5.22%
- The Municipal Bond Rate changed from 1.84% to 4.05%

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor <i>Pass Through Grantor</i> Program/Cluster Title	Federal Assistance Listing Number	Passed Through To Subrecipients	Total Federal Expenditures
U.S. Department of Transportation <i>Direct Program</i>			
<u>Federal Transit Cluster</u>			
Federal Transit Formula Grant	20.507	\$ -	\$ 6,769,896
COVID-19 Federal Transit Formula Grants	20.507	-	2,175,314
Total Federal Transit Formula Grant		-	8,945,210
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526	-	1,123,139
Total Federal Transit Cluster		-	10,068,349
<u>Other Programs</u>			
Enhanced mobility for seniors and individuals with Disabilities - Transit Services Program Cluster	20.513	12,264	12,264
Public Transportation Innovation Program	20.530	-	21,429
Total U.S. Departments of Transportation		12,264	10,102,042
Total Expenditures of Federal Awards		\$ 12,264	\$ 10,102,042

TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.501(B)(6)
FOR THE YEAR ENDED DECEMBER 31, 2023

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) under programs of the federal government for the year ended December 31, 2023. 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.

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 Schedule does not include the expenditure of non-Federal matching funds.

**TOLEDO AREA REGIONAL TRANSIT AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.501(B)(6)
FOR THE YEAR ENDED DECEMBER 31, 2023**

NOTE 6 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the intergovernmental revenues report in the December 31, 2023, basic financial statements to the expenditures of the Authority administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments to Prior Year Reconciliations</u>	<u>Federal Expenditures</u>
Federal operating and Preventive Maintenance assistance	\$ 6,277,283	\$ -	\$ -	\$ 6,277,283
State operating and Preventive Maintenance assistance	903,234	903,234	-	-
Capital grants	4,533,585	708,826	-	3,824,759
	<u>\$ 11,714,102</u>	<u>\$ 1,612,060</u>	<u>\$ -</u>	<u>\$ 10,102,042</u>

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

Independent Auditor's Report

To Management and the Board of Trustees
Toledo Area Regional Transit Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Toledo Area Regional Transit Authority (the "Authority") as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 25, 2024.

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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Findings 2023-001, 2023-002, and 2023-003, that we consider to be material weaknesses.

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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2023-004.

To Management and the Board of Trustees
Toledo Area Regional Transit Authority

The Authority's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion them.

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.

Plante & Moran, PLLC

October 25, 2024

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Trustees
Toledo Area Regional Transit Authority

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Toledo Area Regional Transit Authority'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 the Authority's major federal program for the year ended December 31, 2023. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2023.

Basis for Opinion on Each 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; 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* (the "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 each 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

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 program.

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 each 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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and are described in the accompanying schedule of findings and questioned costs as Findings 2023-005 and 2023-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the noncompliance findings identified in our compliance audit and described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

To the Board of Trustees
Toledo Area Regional Transit Authority

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 a 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 of those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2023-005 and 2023-006 to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

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

Plante & Moran, PLLC

October 25, 2024

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Schedule of Findings and Questioned Costs

Toledo Area Regional Transit Authority

Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted? X Yes None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

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

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
20.500, 20.507, 20.525, and 20.526	Federal Transit Cluster	Unmodified

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

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	<p>Finding Type - Material weakness</p> <p>Criteria - Expenses, inventory purchases, and capital assets should be recorded in the period to which they relate, and vendor payments should be for the amounts invoiced.</p> <p>Condition - The Authority improperly accrued for expenses and inventory purchases related to a future period. It also did not accrue for expenses and capital assets related to the audit period. Additionally, subsequent to year end, the Authority paid a vendor more than the amount that had been billed at that time.</p> <p>Context - The errors relate to disbursements subsequent to year end that were not properly accrued to the audit period, as well as capital assets that were accrued for but not received until subsequent to year end. The payment to a vendor for more than the amount billed was related to a construction pay application that had only the work completed to date due, but the payment was made for the full remaining contract amount.</p> <p>Cause - There are not adequate procedures and controls in place to record expenses and capital assets in the proper period as well as for proper payments to vendors on construction pay applications.</p> <p>Effect - There were uncorrected misstatements identified as part of the audit process to increase accounts payable, inventory, capital assets, and expenses and to reduce accounts payable and expenses. There was a payment made to a vendor in early 2024 for an amount in excess of the amount billed.</p> <p>Recommendation - Implementation of procedures and controls to ensure recording of transactions in the proper period and to ensure payments to vendors are in line with invoiced amounts.</p> <p>Views of Responsible Officials and Planned Corrective Actions - TARTA is now accruing and prepaying expenses monthly, along with training and educating staff on proper account coding and date matching. In addition, TARTA will be moving from our legacy accounting ERP to a new more technically advanced ERP, which will allow us to easily and quickly review invoices and accounts for proper accounting periods and account codes, reducing errors significantly.</p>

Toledo Area Regional Transit Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-002	<p>Finding Type - Material weakness</p> <p>Criteria - Inventory should be recorded at cost.</p> <p>Condition - The Authority had units of inventory held at year end that were not assigned a cost value. The Authority also had some units that did have a cost value assigned that was not correct.</p> <p>Context - There were inventory units held that did not have cost values assigned on the inventory listing.</p> <p>Cause - There are not adequate procedures and controls in place over inventory valuation.</p> <p>Effect - There was a projected uncorrected misstatement identified as part of the audit process to increase inventory and reduce expenses.</p> <p>Recommendation - Implementation of procedures and controls to ensure inventory cost valuation is proper</p> <p>Views of Responsible Officials and Planned Corrective Actions - Review all current inventory items for zero values and assign current market values, then adjust accounting ERP inventory values to match EAM inventory system. Going forward, TARTA will only use the EAM inventory system as basis for accounting ERP inventory values, reviewing and adjusting these values monthly, in addition to periodic EAM inventory reviews to ensure all current inventory items have accurate values.</p>

Reference Number	Finding
2023-003	<p>Finding Type - Material weakness</p> <p>Criteria - There should be segregation of duties in internal controls within the payroll system.</p> <p>Condition - There are individuals involved in the process and controls over payroll functions that have access to pay rate changes.</p> <p>Context - While there are procedures and controls over payroll recording in the general ledger, this relates to system configurations and limitations over the ability to change pay rates.</p> <p>Cause - There are not adequate procedures and controls in place over system limitations for pay rate changes.</p> <p>Effect - There could be erroneous changes to pay rates.</p> <p>Recommendation - Implementation of procedures and controls over pay rate changes made in the system.</p> <p>Views of Responsible Officials and Planned Corrective Actions - A new user role will be added to the ADP payroll system for payroll accountant, and other accounting staff permissions will be changed so that pay rate changes can only be completed by HR staff. In addition, a pay rate change approval workflow will be added to ensure all approvals are in place prior to a pay rate change.</p>

Toledo Area Regional Transit Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2023-004	<p>Finding Type - Material noncompliance with laws and regulations</p> <p>Criteria - Ohio Auditor of State (AOS) Bulletin 2015-007 indicates that annual reports filed with AOS must be complete to avoid the application of a penalty of \$25 per day (\$750 maximum), permissible under Ohio Revised Code §117.38. To be complete, GAAP entities must submit the basic financial statements, including the government-wide financial statements, fund financial statements, notes to the basic financial statements, management’s discussion and analysis, and any other required supplementary information to be considered a complete filing.</p> <p>Condition - The financial statements filed in the Hinkle System were not filed timely.</p> <p>Context - The financial statement drafts were filed in the Hinkle System after the due date, which was identified as a result of audit procedures performed, as well as authority-identified changes.</p> <p>Cause - The Authority did not ensure that the financial information that was uploaded to the Hinkle System was timely.</p> <p>Effect - The Authority did not file an annual report in a timely manner.</p> <p>Recommendation - The Authority should implement processes and procedures to ensure that information uploaded to the Hinkle System is done so timely.</p> <p>Views of Responsible Officials and Planned Corrective Actions - An audit planning schedule will be created and reminder dates will be added to the appropriate calendars to ensure timely filing of financial statements in the Hinkle System.</p>

Toledo Area Regional Transit Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
2023-005	<p>Assistance Listing Number, Federal Agency, and Program Name - 20.500, 20.507, 20.525, 20.526, U.S. Department of Transportation, Federal Transit Cluster</p> <p>Federal Award Identification Number and Year - All, including COVID-19</p> <p>Pass-through Entity - Not applicable</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - 2 CFR 200.320 provides standards for acceptable methods of procurement, which includes the following required support for the contract price:</p> <ul style="list-style-type: none"> • Informal procurement methods (micro-purchases) may be awarded without submitting competitive price or rate quotations if the non-federal entity considers the price to be reasonable based on research, experience, purchase history, or other information and documents in files accordingly. • Small purchases require that price or rate quotations be obtained and documented to support the procurement decisions. • Formal procurement methods require documentation of sealed bids, proposals, or rationale for the use of non-competitive procurements, such as single-source and emergency procurements. <p>Condition - During our testing, we identified five contracts that did not have adequate documentation to support the basis for the contract price.</p> <p>Questioned Costs - \$419,296</p> <p>Identification of How Questioned Costs Were Computed - The sum of the expenditures incurred under the contracts for the five exceptions identified in our testing was used to calculate questioned costs.</p> <p>Context - There was one contract subject to the micro-purchase method of procurement that had no evidence to support whether the price was reasonable based on research, experience, purchase history, or other factors.</p> <p>There were two contracts subject to small purchasing procedures that had no evidence to support whether price or rate quotes were obtained.</p> <p>There were two contracts subject to formal procurement methods that had no evidence to support whether sealed bids, proposals, or noncompetitive procurements were used to support the contract price.</p>	\$419,296

Toledo Area Regional Transit Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding	Questioned Costs
2023-005 (Cont.)	<p>Cause and Effect - The Authority experienced turnover in personnel that resulted in it being unable to locate documentation to support compliance for the five exceptions identified in our testing.</p> <p>Recommendation - We recommend that internal controls be put in place to ensure that all procurements adhere to 2 CFR 200.320 and maintain documentation to support compliance and supervisory review.</p> <p>Views of Responsible Officials and Corrective Action Plan - A new internal controls checklist and review process will be implemented, along with procurement training for all management staff involved in the procurement process. In addition, TARTA will move to a new accounting ERP system in early 2025 that will automate the procurement workflow process to ensure proper approval and documentation has been obtained prior to procuring products and services, eliminating errors.</p>	

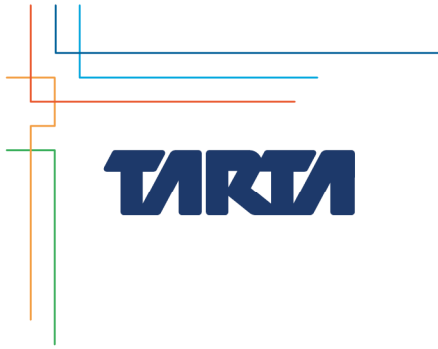
Toledo Area Regional Transit Authority

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding	Questioned Costs
2023-006	<p>Assistance Listing Number, Federal Agency, and Program Name - 20.500, 20.507, 20.525, 20.526, U.S. Department of Transportation, Federal Transit Cluster</p> <p>Federal Award Identification Number and Year - All, including COVID-19</p> <p>Pass-through Entity - Not applicable</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - The Authority should ensure there is a process in place prior to entering into contracts with vendors in excess of \$25,000 to verify such contractors are not suspended, debarred, or otherwise excluded pursuant to 2 CFR Section 180.300.</p> <p>Condition - There was no evidence to support that the Authority performed procedures to verify that the vendors were not suspended, debarred, or otherwise excluded prior to entering into contracts in all instances.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - Not applicable</p> <p>Context - Of the 60 procurements selected for testing, not all of the procurements contained evidence of either (1) a search performed on Sam.gov to determine if the vendor was suspended, debarred, or otherwise excluded; (2) a certification from the contractor attesting that they are not suspended, debarred, or otherwise excluded; or (3) adding a clause or condition to the covered transaction with that vendor.</p> <p>Cause and Effect - The Authority has experienced turnover that resulted in it being unable to locate documentation to support compliance.</p> <p>Recommendation - We recommend that internal controls be put in place to ensure that the required verification is performed, documented, and reviewed by a supervisor prior to entering into contracts with vendors.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The procurement manager is assigned responsibility for verifying and documenting that vendors were not suspended, debarred, or otherwise excluded through Sam.gov. This has also been added to our current document checklist and will be part of the new accounting ERP automated procurement workflow and review process.</p>	None



Toledo Area Regional Transit Authority
December 31, 2023
Summary Schedule of Prior Audit Findings

Prior Year Finding Number:
2021-001

Fiscal Year in Which the Finding Initially Occurred:
2020

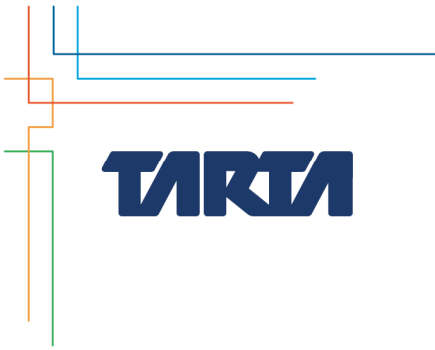
Federal Program, Assistance Listing Number and Name:
N/A

Original Finding Description:

The Authority misclassified state operating and preventive maintenance grants and assistance on the statement of revenues and expenses as well as misclassified cash flows from fares and contracts, payments for labor and benefits, and federal operating and preventative maintenance assistance on the statement of cash flows.

Status/Partial Corrective Action (as applicable):
Fully corrected

Planned Corrective Action:
N/A



Toledo Area Regional Transit Authority
December 31, 2023
Corrective Action Plan

Finding Number: 2023-001

Condition: The Authority improperly accrued for expenses and inventory purchases related to a future period as well as did not accrue for expenses and capital assets related to the audit period. Additionally, subsequent to year end, the Authority paid a vendor more than the amount that had been billed at that time.

Planned Corrective Action: TARTA is now accruing and prepaying expenses monthly, along with training and educating staff on proper account coding, and date matching. In addition, TARTA will be moving from our legacy accounting ERP to a new more technically advanced ERP which will allow us to easily and quickly review invoices and accounts for proper accounting periods and account codes, reducing errors significantly.

Contact person responsible for corrective action: James Karasek

Anticipated Completion Date: 09/30/2024, and new ERP early 2025

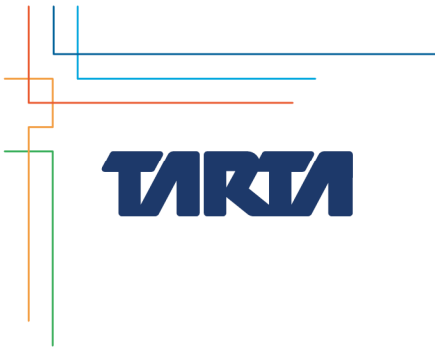
Finding Number: 2023-002

Condition: The Authority had units of inventory held at year-end that were not assigned a cost value as well as some units that did have a cost value assigned that was not correct

Planned Corrective Action: Review all current inventory items for zero values and assign current market values, then adjust accounting ERP inventory values to match EAM inventory system. Going forward TARTA will only use the EAM inventory system as basis for accounting ERP inventory values, reviewing and adjusting these values monthly. In addition to periodic EAM inventory reviews to ensure all current inventory items have accurate values.

Contact person responsible for corrective action: James Karasek

Anticipated Completion Date: 09/30/2024



Finding Number: 2023-003

Condition: There are individuals involved in the process and controls over payroll functions that have access to pay rate changes.

Planned Corrective Action: Add new user role to ADP payroll system for payroll accountant and change other accounting staff permissions so that pay rate changes can only be completed by HR staff. In addition, a pay rate change approval workflow will be added to ensure all approvals are in place prior to a pay rate change.

Contact person responsible for corrective action: James Karasek

Anticipated Completion Date: 10/24/2024

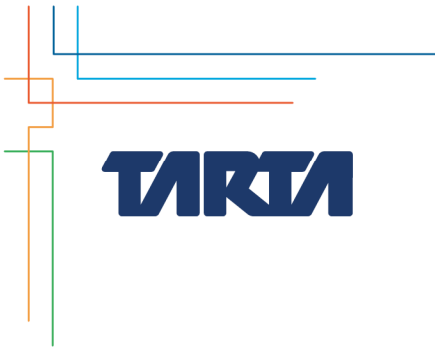
Finding Number: 2023-004

Condition: The financial statements filed in the Hinkle System were not filed timely.

Planned Corrective Action: Audit planning schedule will be created, and reminder dates added to the appropriate calendars to ensure timely filing of financial statements in the Hinkle System.

Contact person responsible for corrective action: James Karasek

Anticipated Completion Date: 10/24/2024



Finding Number: 2023-005

Condition: During our testing we identified 5 contracts that did not have adequate documentation to support the basis for the contract price.

Planned Corrective Action: Implement a new internal controls checklist, and review process, along with procurement training for all management staff involved in the procurement process. In addition, TARTA will be moving to a new accounting ERP system in early 2025 that will automate the procurement workflow process to ensure proper approval and documentation has been obtained prior to procuring products and services, eliminating errors.

Contact person responsible for corrective action: James Karasek

Anticipated Completion Date: 9/30/2024, and new ERP early 2025

Finding Number: 2023-006

Condition: There was no evidence to support that the Organization performed procedures to verify that the vendors were not suspended, debarred or otherwise excluded prior to entering into contracts in all instances.

Planned Corrective Action: Procurement manager is assigned responsibility for verifying and documenting that vendors were not suspended, debarred or otherwise excluded through Sam.gov. This has also been added to our current document checklist and will be part of the new accounting ERP automated procurement workflow and review process.

Contact person responsible for corrective action: James Karasek

Anticipated Completion Date: 09/30/2024, and new ERP early 2025

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 12/3/2024

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

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