

TOLEDO AREA
REGIONAL
TRANSIT
AUTHORITY



Year Ended
December 31,
2019 and 2018

Financial
Statements

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Toledo Area Regional Transit Authority
1127 West Central Avenue
Toledo, Ohio 43695

We have reviewed the *Independent Auditors' Report* of the Toledo Area Regional Transit Authority, Lucas County, prepared by Rehmann Robson, for the audit period January 1, 2019 through December 31, 2019. 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 cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 15, 2020

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 26, 2020

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the Toledo Area Regional Transit Authority (the "Authority"), as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Rehmann is an independent member of Nexia International.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2019 and 2018, and the respective results of their operations and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated June 26, 2020, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Rehmann Lobson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

As financial management of the Toledo Area Regional Transit Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2019 and 2018. 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 2019

- The Authority's total net position decreased \$4,316,063, over the course of the year's operations.
- The Authority's operating expenses, excluding depreciation, of approximately \$31,474,000 in 2019 were approximately \$970,000, or 3% lower than in 2018. In 2018, the Authority had significant materials and supplies expense related to repairs to chassis that weren't as significant in 2019.
- Operating revenues for the Authority of approximately \$5,932,000 in 2019 increased \$135,425 compared with 2018. A new contract with University of Toledo contributed to the increase.
- Property tax revenues of \$12,997,000 were down \$66,000 compared to 2018. This tax represents 46% of all revenues received.
- Total federal funding increased approximately \$898,000 primarily as a result of timing of grant activity.
- The Authority provided no charter services in 2019 in accordance with current federal regulations.

Financial Highlights in 2018

- The Authority's total net position, before cumulative effect of change in accounting principle, decreased \$2,092,176, over the course of the year's operations.
- The Authority's operating expenses, excluding depreciation, of approximately \$32,444,000 in 2018 were approximately \$620,000 or 2% lower than in 2017. A decrease in the Authority's OPERS' pension liability primarily contributed to this decrease, offset by an increase in the other postemployment liability.
- Operating revenues for the Authority of approximately \$5,796,000 in 2018 increased \$375,151 compared with 2017. A decrease in the number of riders was the primary cause of the decrease. A new contract with University of Toledo contributed to the increase.
- Property tax revenues of \$13,063,000 were up \$258,000 compared to 2017. This tax represents 48% of all revenues received.
- Total federal funding decreased approximately \$924,000 primarily as a result of timing of grant activity and was used for maintenance expenses.
- The Authority provided no charter services in 2018 in accordance with current federal regulations.

Overview of the Financial Statements

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

Required Financial Statements

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

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

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

Notes to the Financial Statements

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

Financial Analysis of the Authority

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

Regional Transit Authority's Net Position

	Net Position		
	2019	2018	2017
Assets			
Current assets	\$ 22,973,484	\$ 22,769,898	\$ 22,923,234
Restricted assets	56,286	56,286	56,286
Capital assets, net	22,991,724	25,117,912	21,160,996
	<u>46,021,494</u>	<u>47,944,096</u>	<u>44,140,516</u>
Deferred outflows of resources	<u>8,697,841</u>	<u>4,652,677</u>	<u>9,989,786</u>
Liabilities			
Other liabilities	6,755,782	7,621,293	5,311,556
Long-term liabilities	38,593,650	26,180,963	24,283,655
	<u>45,349,432</u>	<u>33,802,256</u>	<u>22,854,073</u>
Deferred inflows of resources	<u>13,686,329</u>	<u>17,891,892</u>	<u>13,425,359</u>
Net position (deficit)			
Investment in capital assets	22,991,724	25,117,912	21,160,996
Restricted for capital acquisitions	56,286	56,286	56,286
Unrestricted (deficit)	<u>(27,364,436)</u>	<u>(24,271,573)</u>	<u>(10,107,550)</u>
Total net position (deficit)	<u>\$ (4,316,426)</u>	<u>\$ 902,625</u>	<u>\$ 11,109,732</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

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

Year Ended December 31, 2019

Investment in capital assets decreased to \$23.0 million in 2019 from \$25.1 million in 2018, a reduction of -8%. The decrease was due to depreciation exceeding current year additions. The Authority had approximately \$1 million in additions related to the transit center and disposed of approximately \$7.9 million of old vehicles. All disposed vehicles had been fully depreciated.

The net pension liability, included in long-term liabilities, and related deferred outflows recognized by the Authority at December 31, 2019 increased to \$26,049,485, and \$7,714,078, respectively. Related deferred inflows as of December 31, 2019 decreased to \$407,293. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

The net other postemployment (OPEB) liability, included in long-term liabilities, and related deferred outflows recognized by the Authority at December 31, 2019 increased to \$12,544,165, and \$983,763, respectively. Related deferred inflows as of December 31, 2019 decreased to \$33,673. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

Year Ended December 31, 2018

Investment in capital assets increased to \$25.1 million in 2018 from \$21.2 million in 2017, an increase of 19%. The increase was due primarily to current year additions exceeding depreciation. The Authority purchased approximately \$5.5 million in new vehicles and disposed of approximately \$6.2 million of old vehicles. All disposed vehicles had been fully depreciated.

The net pension liability, included in long-term liabilities, and related deferred outflows recognized by the Authority at December 31, 2018 decreased to \$15,324,957 and \$3,853,788, respectively. Related deferred inflows as of December 31, 2018 increased to \$3,733,192. These changes were recorded as a result of changes in assumptions to the net pension liability and Authority contributions to the Ohio Public Employees Retirement System plan subsequent to the plan's measurement date.

On January 1, 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the new standard - which requires employers participating in the Ohio Public Employees Retirement System (OPERS) recognize a share of the net other postemployment benefit (OPEB) liability - resulted in a \$8,114,931 reduction in the Authority's opening unrestricted net position. The net OPEB liability recognized by the Authority, and included in long-term liabilities, at December 31, 2018 was \$10,856,006. Related deferred outflows and inflows as of December 31, 2018 were \$798,889 and \$808,700, respectively.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Changes in Net Position

	Change in Net Position		
	2019	2018	2017
Operating revenues	\$ 5,931,676	\$ 5,796,251	\$ 5,421,100
Operating expenses, excluding depreciation	(31,474,158)	(32,443,993)	(33,064,444)
Depreciation expense	(3,426,457)	(3,224,874)	(3,349,434)
Operating loss	(28,968,939)	(29,872,616)	(30,992,778)
Nonoperating revenues:			
Property taxes	12,996,731	13,063,224	12,805,657
Federal operating and preventive maintenance grants	8,225,511	7,327,397	8,251,565
State operating and preventive maintenance grants	944,298	845,068	863,155
Other nonoperating revenues	301,337	338,968	316,656
Total nonoperating revenues	22,467,877	21,574,657	22,237,033
Capital grants	1,282,011	6,205,783	169,437
Decrease in net position	(5,219,051)	(2,092,176)	(8,586,308)
Net position, beginning of year	902,625	11,109,732	19,696,040
Implementation of GASB 75		(8,114,931)	-
Net position, end of year	\$ (4,316,426)	\$ 902,625	\$ 11,109,732

Year Ended December 31, 2019

The Authority's operating revenues for 2019 were up approximately \$135,000 from 2018, or 2.3%. Passenger fares decreased approximately \$120,000, or 4.9%. Miles of service for the fixed line was down from the prior year. Revenue from contract service increased approximately \$324,000, or 10.3% in 2019. The increase is due to contracted services with the University of Toledo and Toledo Public Schools. Operating expenses, excluding depreciation, decreased by approximately \$970,000 or 3.0% from 2018 primarily from a decrease in materials and supplies. The Authority had significant repairs in 2018 that were not as significant in 2019. The 2019 nonoperating revenues of approximately \$22.5 million were higher than revenues in 2018 due to increases in federal operating and preventive maintenance assistance.

Year Ended December 31, 2018

The Authority's operating revenues for 2018 were up approximately \$375,000 from 2017, or 6.9%. Passenger fares decreased approximately \$444,000, or 15.2%. Miles of service on the fixed line was down from the prior year. Revenue from contract service increased approximately \$813,000, or 34.8% in 2018. The increase is due to a new contract with the University of Toledo and continued contract services with the Toledo Public Schools. Operating expenses, excluding depreciation, decreased by approximately \$620,000 or 1.9% from 2017 primarily from a decrease in labor and fringe benefits. The primary driver in the decrease in fringe benefits is the decreased net pension liability, offset by decreased deferred outflows and increased deferred inflows related to the pension. The 2018 nonoperating revenues of approximately \$21.6 million were lower than revenues in 2017 due to decreases in federal operating and preventive maintenance assistance.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Capital Grants

Capital grants from federal and state agencies in 2019 were \$1,282,011. In progress at the end of 2019 is the parking lot and software upgrade. Capital grants from federal and state agencies in 2018 were \$6,205,783. In progress at the end of 2018 is the transit center and software upgrade.

Capital Asset and Debt Administration

Capital Assets 2019

The Authority's investment in capital assets amounts to \$23.0 million, net of accumulated depreciation, as of December 31, 2019, was a decrease of approximately \$2.1 million or 9% compared with 2018. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include approximately \$1.0 million for the transit center. Additionally, the Authority disposed of vehicles at approximately \$7.9 million, all of which were fully depreciated at time of disposal.

Capital Assets 2018

The Authority's investment in capital assets amounts to \$25.1 million, net of accumulated depreciation, as of December 31, 2018, was an increase of approximately \$4 million or 19% compared with 2017. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include approximately \$5.5 million for new vehicles. Additionally, the Authority disposed of vehicles at approximately \$6.2 million, all of which were fully depreciated at the time of disposal.

Long-Term Debt

The Authority has no outstanding long-term debt as of December 31, 2019 and 2018.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Net Position

	December 31	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,995,118	\$ 1,845,556
Property taxes receivable	13,245,000	13,350,000
Accounts receivable, net	4,617,371	6,526,758
Inventories	981,981	936,526
Prepays	134,014	111,058
Total current assets	<u>22,973,484</u>	<u>22,769,898</u>
Noncurrent assets:		
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Capital assets not being depreciated	1,276,337	2,714,232
Capital assets being depreciated, net	21,715,387	22,403,680
Total noncurrent assets	<u>23,048,010</u>	<u>25,174,198</u>
Total assets	<u>46,021,494</u>	<u>47,944,096</u>
Deferred outflow of resources		
Deferred pension amounts	7,714,078	3,853,788
Deferred OPEB amounts	983,763	798,889
	<u>8,697,841</u>	<u>4,652,677</u>
Liabilities		
Current liabilities:		
Accounts payable	4,831,682	5,689,710
Accrued payroll and vacation pay	688,900	726,976
Accrued employers' contribution to Ohio Public Employees Retirement System	155,541	196,465
Accrued claims	468,320	463,284
Unearned revenue	539,330	509,193
Other	72,009	35,665
Total current liabilities	<u>6,755,782</u>	<u>7,621,293</u>
Noncurrent liabilities:		
Net pension liability	26,049,485	15,324,957
Net OPEB liability	12,544,165	10,856,006
Total noncurrent liabilities	<u>38,593,650</u>	<u>26,180,963</u>
Total liabilities	<u>45,349,432</u>	<u>33,802,256</u>
Deferred inflows of resources		
Property taxes levied for a subsequent period	13,245,000	13,350,000
Deferred pension amounts	407,293	3,733,192
Deferred OPEB amounts	34,036	808,700
Total deferred inflows of resources	<u>13,686,329</u>	<u>17,891,892</u>
Net position		
Investment in capital assets	22,991,724	25,117,912
Restricted for capital acquisitions	56,286	56,286
Unrestricted (deficit)	<u>(27,364,436)</u>	<u>(24,271,573)</u>
Total net position	<u>\$ (4,316,426)</u>	<u>\$ 902,625</u>

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended December 31,	
	2019	2018
Operating revenues		
Passenger fares	\$ 2,359,169	\$ 2,479,468
Toledo Board of Education and other contracts	3,473,510	3,149,207
Auxiliary transportation revenue	98,997	167,576
Total operating revenues	5,931,676	5,796,251
Operating expenses		
Labor	12,891,757	13,943,074
Fringe benefits	9,787,613	8,393,060
Materials and supplies	4,002,926	5,180,425
Services	1,857,164	1,731,866
Fuel	1,714,201	2,133,963
Taxes	324,010	276,863
Claims and insurance	505,122	343,425
Utilities	381,020	433,812
Miscellaneous	10,345	7,505
Total operating expenses	31,474,158	32,443,993
Operating loss before depreciation	(25,542,482)	(26,647,742)
Depreciation	3,426,457	3,224,874
Operating loss	(28,968,939)	(29,872,616)
Nonoperating revenues		
Property taxes	12,996,731	13,063,224
Federal operating and preventive maintenance assistance	8,225,511	7,327,397
State operating and preventive maintenance grants and assistance	944,298	845,068
Investment income	36,520	19,534
Gain on disposal of capital assets	29,068	51,613
Nontransportation revenues	235,749	267,821
Total nonoperating revenues	22,467,877	21,574,657
Net loss before capital grants	(6,501,062)	(8,297,959)
Capital grants	1,282,011	6,205,783
Change in net position	(5,219,051)	(2,092,176)
Net position, beginning of year	902,625	11,109,732
Implementation of GASB Statement No. 75	-	(8,114,931)
Net position, end of year	\$ (4,316,426)	\$ 902,625

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2019	2018
Cash flows from operating activities		
Receipts from fares and contracts	\$ 6,058,091	\$ 4,901,022
Payments to suppliers	(9,684,883)	(7,996,176)
Payments for labor and employee benefits	(18,486,737)	(19,070,978)
Net cash used in operating activities	<u>(22,113,529)</u>	<u>(22,166,132)</u>
Cash flows from noncapital financing activities		
Property tax receipts	12,996,731	13,063,224
Federal operating and preventive maintenance assistance	10,038,620	6,413,521
State operating and preventive maintenance grants and assistance	944,298	1,431,691
Nontransportation receipts	235,749	267,821
Net cash provided by noncapital financing activities	<u>24,215,398</u>	<u>21,176,257</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,300,269)	(7,181,790)
Capital grants received	1,282,011	6,205,783
Proceeds from sale of capital assets	29,068	51,613
Net cash used in capital and related financing activities	<u>10,810</u>	<u>(924,394)</u>
Cash flows from investing activities		
Interest on investments	<u>36,520</u>	<u>19,534</u>
Net change in cash and cash equivalents	2,149,199	(1,894,735)
Cash and cash equivalents, beginning of year	<u>1,901,842</u>	<u>3,796,577</u>
Cash and cash equivalents, end of year	<u>\$ 4,051,041</u>	<u>\$ 1,901,842</u>
Cash and cash equivalents from Statements of Net Position:		
Cash and cash equivalents	\$ 3,995,118	\$ 1,845,556
Restricted cash and cash equivalents for capital acquisitions	<u>56,286</u>	<u>56,286</u>
Total cash and cash equivalents	<u>\$ 4,051,404</u>	<u>\$ 1,901,842</u>

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2019	2018
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (28,968,939)	\$ (29,872,616)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,426,457	3,224,874
Changes in assets and liabilities:		
Accounts receivable - trade and other	96,278	(954,161)
Inventories	(45,455)	41,731
Prepaid expenses	(22,956)	42,284
Deferred outflows - pension and OPEB	(4,045,164)	7,319,488
Accounts payable	(858,028)	2,116,378
Accrued liabilities and other	(37,620)	134,427
Unearned revenue	30,137	58,932
Net pension and OPEB liabilities	12,412,687	(8,200,002)
Deferred inflows - pension and OPEB	(4,100,926)	3,922,533
Net cash used in operating activities	<u>\$ (22,113,529)</u>	<u>\$ (22,166,132)</u>

concluded

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

NOTES TO FINANCIAL STATEMENTS

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2019 that will be collected in 2020 are recorded as a receivable and deferred inflow of resources. Deferred inflows arises when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Assets, Liabilities and Equity

Cash and Cash Equivalents

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

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

Inventories and Prepaid Expenses

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

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

Investments

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

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

Capital Assets

Capital assets, which include property, buildings and equipment, are recorded at cost. The Authority defines capital assets as assets with an initial individual cost of more than \$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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

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

Compensated Absences

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

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

Budgets and Budgetary Accounting

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

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

The Authority had no expenditures in excess of appropriations at the legal level of appropriation for the years ended December 31, 2019 and 2018.

Net Position

Equity is displayed in three components as follows:

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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.

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

Deferred Inflows/Outflows of Resources

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

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

Revenue

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

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

Capital Grants

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Implementation of GASB 75

In 2018, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement required that the Authority recognize a net Other Postemployment Benefits (OPEB) liability in the statement of net position, equal to the Authority's proportionate share of the net OPEB liability of the Ohio Public Employees Retirement System (OPERS), as defined and calculated in accordance with the new standard. More detailed information can be found in Note 5. As a result of this change, the Authority recognized a net OPEB liability of \$10,097,310 and deferred outflows of resources of \$1,982,379, which resulted in a decrease in net position of \$8,114,931 as of January 1, 2018.

2. DEPOSIT AND INVESTMENTS

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

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

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

Deposits

Information regarding the Authority's deposits at December 31, 2019 and 2018 as follows:

	2019	2018
Book/carrying value of deposits:		
Cash and cash equivalents	\$ 3,995,118	\$ 1,845,556
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Total book balance	\$ 4,051,404	\$ 1,901,842
Bank balance:		
Covered by federal depository insurance	\$ 1,101,551	\$ 604,745
Covered by pledged pooled collateral	4,083,657	1,311,021
Total bank balance	\$ 5,185,208	\$ 1,915,766

3. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2019 and 2018 consisted of the following:

	2019	2018
Capital grants	\$ 1,570,435	\$ 3,669,844
Federal operating and preventive maintenance assistance	1,856,735	1,873,933
Trade and other	1,222,201	1,012,981
	4,649,371	6,556,758
Less allowance for doubtful receivables	32,000	30,000
Total accounts receivable, net	\$ 4,617,371	\$ 6,526,758

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 743,244	\$ -	\$ -	\$ 743,244
Construction in progress	1,970,988	262,626	1,700,521	533,093
Total capital assets not being depreciated	2,714,232	262,626	1,700,521	1,276,337
Capital assets, being depreciated:				
Buildings	19,815,473	2,683,201	-	22,498,674
Land improvements	1,726,830	-	-	1,726,830
Transit stations	7,375,978	-	-	7,375,978
Transportation equipment	34,355,989	-	8,029,165	26,326,824
Other equipment	12,210,562	54,963	90,005	12,175,520
Total capital assets being depreciated	75,484,832	2,738,164	8,119,170	70,103,826
Less accumulated depreciation for:				
Buildings	9,469,217	473,288	-	9,942,505
Land improvements	1,614,747	11,132	-	1,625,879
Transit stations	5,171,817	266,205	-	5,438,022
Transportation equipment	25,649,690	2,128,627	8,029,165	19,749,152
Other equipment	11,175,681	547,205	90,005	11,632,881
Total accumulated depreciation	53,081,152	3,426,457	8,119,170	48,388,439
Total capital assets being depreciated, net	22,403,680	(688,293)	-	21,715,387
Total capital assets, net	\$ 25,117,912	\$ (425,667)	\$ 1,700,521	\$ 22,991,724

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 743,244	\$ -	\$ -	\$ 743,244
Construction in progress	455,965	1,599,385	84,362	1,970,988
Total capital assets not being depreciated	1,199,209	1,599,385	84,362	2,714,232
Capital assets, being depreciated:				
Buildings	19,815,473	-	-	19,815,473
Land improvements	1,726,830	-	-	1,726,830
Transit stations	7,375,978	-	-	7,375,978
Transportation equipment	35,006,394	5,555,522	6,205,927	34,355,989
Other equipment	12,199,635	111,245	100,318	12,210,562
Total capital assets being depreciated	76,124,310	5,666,767	6,306,245	75,484,832
Less accumulated depreciation for:				
Buildings	9,014,803	454,414	-	9,469,217
Land improvements	1,603,615	11,132	-	1,614,747
Transit stations	4,878,605	293,212	-	5,171,817
Transportation equipment	29,959,426	1,896,191	6,205,927	25,649,690
Other equipment	10,706,074	569,925	100,318	11,175,681
Total accumulated depreciation	56,162,523	3,224,874	6,306,245	53,081,152
Total capital assets being depreciated, net	19,961,787	2,441,893	-	22,403,680
Total capital assets, net	\$ 21,160,996	\$ 4,041,278	\$ 84,362	\$ 25,117,912

5. DEFINED BENEFIT PENSION PLAN

Defined Benefit Plan

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

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

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

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

The net pension liability for OPERS was measured as of December 31, 2018. and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entitites. At December 31, 2018, the Authority's proportion was 0.095678%, which was a decrease of 0.003311% from its proportion measured as of December 31, 2017 of 0.098989%. 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:

	2019	2018
Net pension liability - all employers	\$ 27,276,150,124	\$ 15,551,928,965
Proportion of the net pension liability	0.095678%	0.098989%
Proportion share of net pension liability	\$ 26,049,485	\$ 15,324,957
Pension expense	\$ 3,538,339	\$ 2,255,317

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

	2019	2018
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 3,589,394	\$ -
Changes in assumptions	2,378,333	1,921,005
Differences between expected and actual experience	1,209	15,859
Change in proportionate share	(62,618)	(47,260)
Employer contributions subsequent to the measurement date	1,807,760	1,964,184
Total	<u>\$ 7,714,078</u>	<u>\$ 3,853,788</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,366,234
Difference between expected and actual experience	407,293	366,958
Total	<u>\$ 407,293</u>	<u>\$ 3,733,192</u>

\$1,807,760 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, 2018. 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:

2019	\$ 2,367,896
2020	1,145,993
2021	329,437
2022	1,664,030
2023	(3,782)
2024 and thereafter	(4,549)
	<u>\$ 5,499,025</u>

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

Benefit Formula	<p>Benefits are calculated on the basis of age, final average salary (FAS) and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of services. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.</p> <p>Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.</p> <p>The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.</p>
Cost-of-Living Adjustments	<p>Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months:</p> <p>Pre 1/7/2013 - an annual 3% cost-of-living adjustment is provided on the member's base Post 1/7/2013 - an annual 3% cost-of-living adjustment is provided on the member's base benefit through 2018, then 2.15%.</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 2018, 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 Date	<p>December 31, 2018.</p>
Actuarial Assumptions	<p>Valuation Date: December 31, 2018 Actuarial Cost Method: Individual entry age Investment Rate of Return: 7.20% Wage Inflation: 3.25% Projected Salary Increases: 3.25% - 10.75%, including wage inflation at 3.25% Cost-of-Living Adjustments: 3.00% Simple</p>
Mortality Rates	<p>Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.</p>
Date of Last Experience Study	<p>5 year period ended December 31, 2015</p>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

<p>Investment Return Assumptions</p>	<p>The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board approved asset allocation policy for 2018 and the long-term expected real rates of return:</p> <table border="1" data-bbox="475 520 1516 842"> <thead> <tr> <th>Asset Class</th> <th>Target Allocation</th> <th>Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td>Fixed Income</td> <td>23.0%</td> <td>2.79%</td> </tr> <tr> <td>Domestic Equity</td> <td>19.0%</td> <td>6.21%</td> </tr> <tr> <td>Real Estate</td> <td>10.0%</td> <td>4.90%</td> </tr> <tr> <td>Private Equity</td> <td>10.0%</td> <td>10.81%</td> </tr> <tr> <td>International Equity</td> <td>20.0%</td> <td>7.83%</td> </tr> <tr> <td>Other Investments</td> <td>18.0%</td> <td>5.50%</td> </tr> <tr> <td>Total</td> <td>100.0%</td> <td>5.95%</td> </tr> </tbody> </table> <p>*Returns presented as arithmetic means</p> <p>During 2018, 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 a loss of 2.94% for 2018.</p>	Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.79%	Domestic Equity	19.0%	6.21%	Real Estate	10.0%	4.90%	Private Equity	10.0%	10.81%	International Equity	20.0%	7.83%	Other Investments	18.0%	5.50%	Total	100.0%	5.95%
Asset Class	Target Allocation	Long Term Expected Return*																							
Fixed Income	23.0%	2.79%																							
Domestic Equity	19.0%	6.21%																							
Real Estate	10.0%	4.90%																							
Private Equity	10.0%	10.81%																							
International Equity	20.0%	7.83%																							
Other Investments	18.0%	5.50%																							
Total	100.0%	5.95%																							
<p>Discount Rate</p>	<p>The discount rate used to measure the total pension liability was 7.2%, post-experience study results, for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.</p>																								
<p>Sensitivity of Authority's proportionate share of Net Pension Liability to Changes in Discount Rate</p>	<table border="1" data-bbox="475 1593 1516 1782"> <thead> <tr> <th></th> <th>1% Decrease (6.2%)</th> <th>Current Discount Rate (7.2%)</th> <th>1% Increase (8.2%)</th> </tr> </thead> <tbody> <tr> <td></td> <td>\$38,659,334</td> <td>\$ 26,049,485</td> <td>\$15,577,936</td> </tr> </tbody> </table>		1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)		\$38,659,334	\$ 26,049,485	\$15,577,936																
	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)																						
	\$38,659,334	\$ 26,049,485	\$15,577,936																						

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Defined Contribution Plans

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

Combined Plans

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

Funding Policy

ORC provides OPERS statutory authority to set employee and employer contributions. The required contribution rates (as a percentage of covered payroll) for plan members and the Authority are 10% and 14%, respectively. The portion of the Traditional Plan and the Combined Plan employer contributions allocated to health care was 0% for calendar year 2018 and 1% for calendar year 2017. The Authority's contributions, which represent 100% of required employer contributions, for the year ended December 31, 2019 and for each of the two preceding years were \$1,807,760, \$1,964,184 and \$1,989,127.

6. OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

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

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

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' 2017 CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, 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.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0 percent during calendar year 2018. 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 2018 was 4.0 percent. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contributions were \$0 for 2018.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, 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:

	2019	2018
Net OPEB liability - all employers	\$ 13,037,639,421	\$ 10,859,263,395
Proportion of the net OPEB liability	0.096215%	0.099970%
Proportionate share of the net pension liability	\$ 12,544,165	\$ 10,856,006
OPEB Expense	\$ 728,258	\$ 768,507

At December 31, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019	2018
Deferred Outflows of Resources		
Difference between expected and actual experience	\$ 4,248	\$ 8,457
Net difference between projected and actual experience	575,076	-
Changes in assumptions	404,439	790,432
Total	<u>\$ 983,763</u>	<u>\$ 798,889</u>
Deferred Inflows of Resources		
Difference between expected and actual experience	\$ 33,673	\$ -
Net difference between projected and actual experience	-	808,700
Total	<u>\$ 33,673</u>	<u>\$ 808,700</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

Year Ending December 31:

2019	\$ 449,978
2020	115,683
2021	94,724
2022	289,705
2023	-
Thereafter	-
Total	<u>\$ 950,090</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.

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 using the following key assumptions applied to all periods included in the measurement (measurement date of December 31, 2018):

Experience study	5 year period ended December 31, 2015
Projected salary increases, including inflation	3.25% - 10.75% (includes inflation)
Single discount rate	3.96%
Investment rate of return	6.00%
Health care cost trend rate	10.0% initial, 3.25% ultimate in 2029
Municipal bond rate	3.71%
Wage Inflation	3.25%
Actuarial cost method	Individual Entry Age Normal

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

During 2018, 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 a loss of 5.6% for 2018.

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 table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long Term Expected Return*
Fixed Income	34.0%	2.42%
Domestic Equities	21.0%	6.21%
Real Estate Investment Trust	6.0%	5.98%
International Equities	22.0%	7.83%
Other Investments	17.0%	5.57%
Total	100.0%	5.16%

Discount Rate - A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Authority's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Authority's proportionate share of net OPEB liability	\$ 16,048,662	\$ 12,544,165	\$ 9,757,163

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Cost Trend Rate Assumption	1% Increase
Authority's proportionate share of net OPEB liability	\$ 12,057,664	\$ 12,544,165	\$ 13,104,483

7. RISK MANAGEMENT

Property and Liability

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Health Insurance

The Authority provides hospitalization and medical benefits coverage to all of its full-time employees. The Authority is self-insured, with certain stop-loss coverage, for hospitalization and medical benefits coverage and expense totaled approximately \$3.4 million in 2019, \$3.3 million in 2018 and \$3.3 million in 2017. No claims have exceeded the stop-loss coverage during the past three years. In addition, the Authority provides life insurance coverage to all full-time employees. Effective January 1, 2014, the Authority switched providers to the Ohio Transit Risk Pool.

Workers' Compensation

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

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

The Authority has agreed to pay all claims up to a maximum of 150% of what the Authority would have paid had the Authority remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the Authority pays the State a "minimum premium" for retaining the risk of having to pay claims which exceed the Authority's maximum claim limits. Ten years after each year the Authority elected the retrospective plan for workers' compensation, the Authority settles up for the reserve on any claims that are still open. The accrued claims liability amounted to approximately \$0 and \$13,300 at December 31, 2019 and 2018, respectively.

Changes in the accrued claims liability, including general liability, medical, and workers' compensation, for the years ended December 31, 2019, 2018, and 2017, are as follows:

	2019	2018	2017
January 1, liability	\$ 463,284	\$ 504,037	\$ 1,035,386
Current year claims and changes in estimates	3,421,573	3,300,945	3,318,965
Claim payments	(3,416,537)	(3,341,698)	(3,850,314)
December 31, liability	<u>468,320</u>	<u>463,284</u>	<u>504,037</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

8. PROPERTY TAX REVENUES

The Authority is subsidized by two annual property tax levies consisting of a 1.0 mill levy in effect through 2020 (collectible through 2021) and a 1.5 mill levy in effective through 2026 (collectible through 2027). Revenues generated from the 1.0 mill and 1.5 mill levies are based on property valuations conducted in 2012 and triennially updated in 2018, for property located within the Authority's operating district. On April 28, 2020, the voters approved to renew the 1.0 mill levy to be in effect in 2021 for ten years.

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

Real property and tangible personal property taxes collected during fiscal year 2019 and 2018 had a lien and levy date of December 2018 and 2017, respectively.

9. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2019 and 2018:

	2019	2018
FTA preventive maintenance assistance and ADA	\$ 3,427,222	\$ 4,243,443
FTA bio fuel grant	-	1,488,240
FTA operating assistance	3,410,867	-
FTA short-range planning and marketing	1,387,422	1,595,714
Total	\$ 8,225,511	\$ 7,327,397

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2019 and 2018:

	2019	2018
State fuel tax reimbursement	\$ 315,191	\$ 266,975
ODT operating assistance	629,107	578,093
Total	\$ 944,298	\$ 845,068

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

10. UNRESTRICTED DEFICIT

The Authority's unrestricted deficit consists of the following for the years ended December 31, 2019 and 2018:

	2019	2018
Pension liability fund deficit	\$ (18,742,700)	\$ (15,204,361)
OPEB liability fund deficit	(11,594,075)	(10,865,817)
Undesignated	2,972,702	1,798,605
Total unrestricted deficit	\$ (27,364,073)	\$ (24,271,573)

11. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Authority has cancellable operating leases executed in one-year intervals for revenue vehicle tire utilization. Total rental expense for all operating leases amounted to approximately \$273,000 and \$367,000 for the years ended December 31, 2019 and 2018, respectively.

Litigation

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

Grants

Under the terms of the Authority's various capital and operating grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2019 and 2018, there were no material questioned costs that had not been resolved with the federal or state agencies. Questioned costs could still be identified during audits to be conducted in the future. Management of the Authority believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above grants.

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

Union Contracts

The Authority has three union contracts, which cover drivers, mechanics, administrative and TARPS employees. The TARPS contract expired in 2010 and is currently in negotiations. The Authority and the administrative union entered a contract effective May 2015 through May 2020. The Authority and the contract covering fixed line operators and mechanics is effective May 2015 through August 2021.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

12. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Agency's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to negatively impact the Authority's financial position, the related financial consequences and duration are highly uncertain.

In April 2020, the Authority through the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Enactment, was provided \$17,820,132 in Federal Transit Administration funding. These funds are intended to prevent, prepare for, and respond to COVID-19. This grant award will fund the continued movement of critical public transit operations in our region and support critical projects to restore service in a safe manner. The Authority provides essential transportation services to ensure that those who need transportation can get to work, medical appointments, educational opportunities, and other critical and essential daily life activities. This funding will allow the Authority to get through the immediate impact of the National COVID-19 pandemic as well as provide assistance to help with the long-term economic downturn that is expected. The grant is through December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Required Supplementary Information

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

	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	0.095678%	0.098989%	0.107329%	0.100752%
Authority's proportionate share of the net pension liability	\$ 26,049,485	\$ 15,324,957	\$ 24,283,655	\$ 17,386,226
Authority's covered-employee payroll	\$ 12,891,757	\$ 13,943,074	\$ 14,208,050	\$ 14,792,550
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	202.06%	109.91%	170.91%	117.53%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.16%

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

Schedule of Authority's Contributions

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Contractually required contribution	\$ 1,807,760	\$ 1,964,184	\$ 1,989,127	\$ 2,070,957
Contributions in relation to the contractually required contribution	<u>(1,807,760)</u>	<u>(1,964,184)</u>	<u>(1,989,127)</u>	<u>(2,070,957)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 12,891,757	\$ 14,029,885	\$ 14,208,050	\$ 14,792,550
Contributions as a percentage of covered employee payroll	14.0%	14.0%	14.0%	14.0%

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Other Postemployment Benefits Liability

	Year Ended December 31, 2019	Year Ended December 31, 2018
Authority's proportion of the net OPEB liability	0.096215%	0.099970%
Authority's proportionate share of the net OPEB liability	\$ 12,544,165	\$ 10,856,006
Authority's covered-employee payroll	\$ 12,891,757	\$ 13,943,074
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	97.30%	77.86%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%

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

Schedule of Authority's Contributions

	Year Ended December 31, 2019	Year Ended December 31, 2018
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Authority's covered-employee payroll	\$ 12,891,757	\$ 14,029,885
Contributions as a percentage of covered employee payroll	0.0%	0.0%

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

Note: GASB 75 was implemented in fiscal year 2018. These schedules are being built prospectively. Ultimately, 10 years of data will be presented.

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TOLEDO AREA
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AUTHORITY



Year Ended
December 31,
2019

Single Audit Act
Compliance

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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

June 26, 2020

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited the financial statements of *Toledo Area Regional Transit Authority* (the "Authority") as of and for the year ended December 31, 2019, and have issued our report thereon dated June 26, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Rehmann Robson LLC

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Transportation				
Federal Transit Administration (FTA)				
Federal Transit Cluster:				
Federal Transit Formula Grants	20.507	Direct	OH-90-X670	\$ 200,000
Federal Transit Formula Grants	20.507	Direct	OH-90-X690	24,117
Federal Transit Formula Grants	20.507	Direct	OH-90-X730	1,315,184
Federal Transit Formula Grants	20.507	Direct	OH-90-X808	480,365
Federal Transit Formula Grants	20.507	Direct	OH-90-X791	497,233
Federal Transit Formula Grants	20.507	Direct	OH-2019-14	8,108,775
Federal Transit Formula Grants	20.507	ODOT	OH-2019-14	629,107
				<u>11,254,781</u>
State of Good Repair Grants Program	20.525	Direct	OH-2016-65	<u>13,502</u>
Bus and Bus Facilities Formula Program	20.526	Direct	OH-34-0010	67,565
Bus and Bus Facilities Formula Program	20.526	Direct	OH-2018-11-01	978,677
				<u>1,046,242</u>
Total Federal Transit Cluster				<u>12,314,525</u>
Transit Services Program Cluster:				
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	Direct	OH-16-X015	37,435
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	Direct	OH-2016-013	97,417
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	Direct	OH-2017-X017	320,967
Enhanced Mobility for Seniors and Individuals with Disabilities	20.513	Direct	OH-2018-33	433,306
				<u>889,125</u>
Job Access Reverse Commute	20.516	Direct	OH-37-X093	254,308
New Freedom Program	20.521	Direct	OH-57-X053	<u>27,034</u>
Total Transit Services Program Cluster				<u>1,170,467</u>
Total Expenditures of Federal Awards				<u><u>\$ 13,484,992</u></u>

See notes to schedule of expenditures of federal awards.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Toledo Area Regional Transit Authority (the "Authority") under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

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

2. 10% DE MINIMUM COST RATE

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

3. RECONCILIATION OF FEDERAL EXPENDITURES TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Federal operating and preventative maintenance grants and assistance	\$ 8,225,511
Capital grants	1,282,011
Portion of state operating and preventative maintenance grants and assistance that is federal expenditures passed through to ODOT	<u>629,107</u>
From Statement of Revenues, Expenses and Changes in Net Position	10,136,629
2018 federal operating and preventative maintenance grants and assistance included in 2019 Schedule (OH-2019-014)	<u>3,348,363</u>
Total Expenditures of Federal Awards	<u><u>13,484,992</u></u>

4 PASS-THROUGH AGENCIES

The Agency receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
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ODOT	Ohio Department of Transportation
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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

June 26, 2020

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *Toledo Area Regional Transit Authority* (the "Authority"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rehmann Loborn LLC

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

June 26, 2020

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Toledo Area Regional Transit Authority* (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Handwritten signature of Rehmann Lobson LLC in black ink.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
20.507, 20.525, 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? X yes no

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

■ Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2019

None reported.

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OHIO AUDITOR OF STATE KEITH FABER



TOLEDO AREA REGIONAL TRANSIT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 28, 2020**