



OHIO AUDITOR OF STATE
KEITH FABER



**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY
DECEMBER 31, 2022**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Allen County Regional Transit Authority
Allen County
200 East High Street, Suite 1C
Lima, Ohio 45801

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the ACRTA. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ACRTA's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ACRTA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of the ACRTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ACRTA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ACRTA's control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 11, 2023

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**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)**

As management of the Allen County Regional Transit Authority, Allen County, Ohio (ACRTA), we offer readers of the ACRTA's basic financial statements this narrative overview and analysis of the financial activities of the ACRTA for the year ended December 31, 2022. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements taken as a whole.

Financial Highlights for 2022

For the year ended December 31, 2022, the ACRTA has a net position of \$10.51 million. This net position results from the difference between total assets and deferred outflows of resources related to Pensions and OPEB of \$12.96 million and total liabilities and deferred inflows of resources related to Pensions and OPEB of \$2.45 million.

Current assets of \$4.57 million consist of non-restricted Cash and Cash Equivalents of \$3.67 million; Intergovernmental/Accounts Receivable of \$0.23 million, Sales Tax Receivable of \$0.53 million and inventory of \$0.13 million.

Current liabilities of \$0.19 million primarily consist of Accounts Payable, Accrued Wages and related Payroll Accruals.

Basic Financial Statements and Presentation

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

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

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

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

Notes to the Financial Statements

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

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)
(Continued)**

Net Position

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

**(Table 1)
Allen County Regional Transit Authority
Condensed Summary of Net Position
For the Years Ended December 31, 2022 and 2021**

	2022	2021
Current Assets	\$ 4,568,158	\$ 5,034,196
Net OPEB Asset	308,486	157,865
Capital Assets (Net of Accumulated Depreciation)	7,515,720	7,343,629
Deferred Outflows of Resources-Pensions	545,549	388,961
Deferred Outflows of Resources-OPEB	19,300	202,680
Total Assets & Deferred Outflows	12,957,213	13,127,331
Current Liabilities	190,108	998,684
Net Pension Liability	865,690	1,286,947
Net OPEB Liability	0	0
Deferred Inflows of Resources-Pensions	1,060,423	590,286
Deferred Inflows of Resources-OPEB	330,776	519,151
Total Liabilities & Deferred Inflows	2,446,997	3,395,068
Net Position		
Invested in Capital Assets	7,515,720	7,343,629
Unrestricted	2,994,496	2,388,634
Total Net Position	\$ 10,510,216	\$ 9,732,263

During year 2022, the ACRTA's current assets decreased as we funded some Capital assets, which caused Capital assets to increase, offset by annual depreciation.

During year 2021, the ACRTA's current assets increased as we received additional operating support and Capital assets increased due to the purchase of revenue vehicles and a maintenance building, offset by annual depreciation.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)
(Continued)**

Statement of Revenues, Expenses and Changes in Net Position

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

**(Table 2)
Allen County Regional Transit Authority
Condensed Summary of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2022 and 2021**

Revenues:	2022	2021
Passenger Fares	\$ 142,401	\$ 126,879
Special Services & Other	397,779	310,210
Sales Tax Revenues	2,022,940	1,964,581
State Operating Funds	209,055	347,114
Federal Operating Funds	2,101,811	2,244,724
Auxiliary Revenues	143,760	146,920
Other Revenues	253,981	91,284
State Capital Funds	0	64,643
Federal Capital Funds	0	399,665
Total Revenues	5,271,727	5,696,020
 Expenses:		
Operating Expenses		
Net of Depreciation	3,622,628	1,962,671
Net Interest Expense	0	0
Depreciation Expense	871,146	874,959
Total Expenses	4,493,774	2,837,630
 Increase in Net Position During the Year	 777,953	 2,858,390
 Net Position, Beginning of Year	 9,732,263	 6,873,873
 Net Position, End of Year	 \$10,510,216	 \$ 9,732,263

During year 2022 the ACRTA's revenues decreased as we did not receive any Capital Funds and we used some 50% Operating funds to extend the CARES Act funding. Operating expenses increased as we had some large vehicle repairs, and more employees were taking advantage of the health insurance. Depreciation expense decreased as some assets fully depreciated.

During year 2021 the ACRTA's revenues increased as we received more operating support, including funds from the CARES and ARP Acts which support the continuance of full transit service, and booked a full year of the dedicated sales tax funding approved by the voters. Operating expenses decreased as we recorded a large pension adjustment. Depreciation expense decreased as some assets fully depreciated.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)
(Continued)**

Financial Operating Results

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

Operating Revenues

- **Passenger Fares** – Fares paid by the public to ride the public bus service. For 2022 these increased as ridership began to recover the national health crisis.
- **Special Service** – Fares paid by agencies/others on behalf of the rider. For 2022 these were up as agencies began to provide more trips for their clients.
- **Other Transportation** – Revenues generated by providing event transportation and other misc. transportation services. These were up in 2022.

Non-Operating Revenues

- **Auxiliary Revenues** – Funds received for advertising on vehicles, Greyhound commissions, vending and lottery commissions and other items. These decreased in 2022.
- **Other Agency Revenues** – Rental income, sale of maintenance services, interest, fee on sale of fuel, scrap sales and other misc. revenues. These were up in 2022.
- **Sales Tax Revenues** – This reflects a voter approved dedicated sales tax for public transit in Allen County of 1/10 of a percent. It was approved for a 10-year term in May 2019, with collections starting on eligible sales in October 2019.
- **Operating Assistance** – Federal and State granted to the ACRTA to support public transit operations. These were down for 2022 and include funding from the federal government through the CARES Act to help maintain public transit services.
- **State Capital Funds** – ODOT funds for the purchase of capital assets, none were used in 2022.
- **Federal Capital Funds** – FTA funds for the purchase of capital assets. Funds were not drawn down in 2022.
- **Gain (Loss) on Sale of Assets** - The difference between the cash received and the asset's book values (carrying value) at the time of the sale. These increased in 2022.

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

- **Labor and Fringe Benefits** - Personnel costs include bus operators, dispatchers, mechanics, and administrative staff. Benefits include OPERS, Medicare, workers compensation, unemployment, paid time off, and limited insurance benefits. This category was higher in 2022 due to large increase of full-time employees receiving health insurance and pto, and by increased wage rates.
- **Services** - Items under this category include attorney, audit, planning, external vehicle maintenance, facility maintenance, as well as miscellaneous professional services and the 1% sales tax collection fee retained by the State. This line was down in 2022 due to property appraisals and design services used in 2021.
- **Materials and Supplies** – Fuel, tires, vehicle repair parts and supplies make up this line item. Costs were up in 2022 related to higher expense on revenue parts and fuel due to increased pricing.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022
(UNAUDITED)
(Continued)**

- **Utilities** - These costs include natural gas, electric, water, and communication services. This category was up in 2022.
- **Casualty and Liability** - The ACRTA is a member of the Ohio Transit Risk Pool, which sets premiums based on service factors and claims experience. Costs were down in 2022.
- **Taxes** – This represents the cost of any taxes paid by the ACRTA including taxes on property owned and fuel purchased.
- **Miscellaneous** - This category summarizes various expenses not included in other expense categories.
- **Depreciation** - This category summarizes the annual cost of capital used on a straight line basis.

Capital Assets

ACRTA investment in capital assets as of December 31, 2022, amounts to \$7,515,720 (net of accumulated depreciation). This investment in capital assets includes: Land, Facilities, Revenue Vehicles, Service Vehicles, and Equipment & Furnishings.

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

Contacting ACRTA Financial Management

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

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**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Assets:

Current Assets:

Cash and Cash Equivalents	\$3,672,157
Accounts Receivable	16,980
Intergovernmental Receivable	217,218
Sales Tax Receivable	533,328
Material and Supplies Inventory	128,475
Total Current Assets	4,568,158

Capital Assets:

Work In Process - Non Depreciable	7,600
Land - Non Depreciable	1,155,821
Facilities	4,704,556
Revenue Vehicles	8,493,348
Support Vehicles	49,771
Equipment & Furnishings	1,060,799
Total Capital Assets	15,471,895
Less: Accumulated Depreciation	(7,956,175)
Total Capital Assets, Net of Accumulated Depreciation	7,515,720

Other Assets

Net OPEB Asset	308,486
Total Assets	12,392,364

Deferred Outflows of Resources:

Pension	545,549
OPEB	19,300
Total Deferred Outflow of Resources	564,849

Liabilities:

Current Liabilities:

Accounts Payable	48,899
Accrued Payroll and Benefits	98,355
Compensated Absences Payable	38,461
Other Payable	4,393
Total Current Liabilities	190,108

Long-Term Liabilities:

Net Pension Liability	865,690
Total Long-Term Liabilities	865,690

Total Liabilities	1,055,798
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Deferred Inflows of Resources:

Pension	1,060,423
OPEB	330,776
Total Deferred Inflows of Resources	1,391,199

Net Position:

Net Investment in Capital Assets	7,515,720
Unrestricted	2,994,496
Total Net Position	\$10,510,216

See accompanying notes to the basic financial statements.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022**

Operating Revenues	
Passenger Fares	\$142,401
Special Service	349,258
Other Transportation	48,521
Total Operating Revenues	540,180
 Operating Expenses	
Labor and Fringes	2,250,376
Services	431,531
Materials and Supplies	576,815
Utilities	49,868
Casualty and Liability Insurance	131,597
Taxes	17,288
Miscellaneous	165,153
Depreciation	871,146
Total Operating Expenses	4,493,774
 Operating Loss	 (3,953,594)
 Non-Operating Revenues	
Interest Income	45,473
Auxiliary Revenue	143,760
Other Agency Revenues	197,508
Sales Tax Revenues	2,022,940
State Operating Assistance	209,055
Federal Operating Assistance	2,101,811
Gain (Loss) on Sale of Assets	11,000
Total Non-Operating Revenues	4,731,547
 Increase in Net Position	 777,953
 Net Position at Beginning of Year	 9,732,263
 Net Position at End of Year	 \$10,510,216

See accompanying notes to the basic financial statements.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash Flows from Operating Activities:	
Cash Received from Customers	\$525,545
Cash Payments to Suppliers for Goods and Services	(2,202,162)
Cash Payments to Employees for Services	(2,498,957)
Net Cash used for Operating Activities	(4,175,574)
Cash Flows from Non-Capital Financing Activities:	
Receipts from Non-Capital State and Federal Grants	2,751,560
Receipts from Other Financing Activities	2,351,209
Net Cash Provided by Financing Activities	5,102,769
Cash Flows from Capital and Related Financing Activities:	
Receipts from Capital Grants	958,141
Purchase of Capital Assets	(1,043,238)
Net Cash Used for Financing Activities	(85,097)
Cash Flows from Investing Activities:	
Interest income	45,473
Net Cash Provided by Investing Activities	45,473
Net Increase in Cash	887,571
Cash and Cash Equivalents, Beginning of Year	2,784,586
Cash and Cash Equivalents, End of Year	3,672,157
Operating Loss	(3,953,594)
Adjustments:	
Depreciation	871,146
Change in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Accounts Receivable	(14,635)
Materials and Supplies Inventory	(6,591)
Net OPEB Asset	(150,621)
Deferred Outflows Pension	(156,588)
Deferred Outflows OPEB	183,380
Increase (Decrease) in Liabilities:	
Accounts Payable	(822,045)
Accrued Payroll and Benefits	12,558
Compensated Absences	2,185
Other Payables	(1,274)
Net Pension Liability	(421,257)
Deferrred Inflows Pension	470,137
Deferrred Inflows OPEB	(188,375)
Total Adjustments	(1,093,126)
Net Cash Used for Operating Activities	(\$4,175,574)

See accompanying notes to the basic financial statements.

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**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1. DESCRIPTION OF THE ACRTA AND REPORTING ENTITY

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

B. Measurement Focus

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

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

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

D. Budgetary Accounting and Control

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

E. Cash and Cash Equivalents

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

During 2022, the ACRTA invested in STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The ACRTA measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

F. Recognition of Receivables and Revenue

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

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deferred Outflows/Inflows of Resources

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

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

H. Capital Assets

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

Facilities	35 years
Improvements	20 years
Revenue Vans	4 years
25' LTV	5 years
30' Bus	10 years
35' Bus	12 years
Support Vehicles	10 years
Computers and Equipment	5 years

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

I. Material and Supplies Inventory

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

J Compensated Absences

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

K. Current Liabilities

Obligations incurred but unpaid at year-end are reported as current liabilities in the accompanying financial statements. These liabilities consisted of Accounts Payable, Accrued Payroll and Benefits, Compensated Absences Payable, and Other Payable totaling \$190,108 at December 31, 2022.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The ACRTA did not have any outstanding borrowings as noted above for 2022. Net Position is reported as restricted when there are limitations imposed on their use either by enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The ACRTA did not have any restricted net position for 2022. When both restricted and unrestricted resources are available for use, it is the Board's policy to use externally restricted resources first, then unrestricted resources in order as needed.

M. Operating Revenues and Expenses

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

N. Use of Estimates

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

O. Pensions and OPEB

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

3. EQUITY IN CASH, CASH EQUIVALENTS AND DEPOSITS

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

3. EQUITY IN CASH, CASH EQUIVALENTS AND DEPOSITS (Continued)

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

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

The carrying amount of ACRTA deposits and petty cash was \$3,672,157.

Custodial credit risk is the risk that in the event of bank failure, the ACRTA will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$434,631 of the ACRTA's bank balance of \$580,542 was exposed to custodial credit risk and \$145,911 of the bank balance was covered by Federal Deposit Insurance Corporation (FDIC).

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

STAR Ohio's investments are not exposed to custodial credit risk, as defined by GASB Statement No. 40. Securities in STAR Ohio are insured, registered, held by STAR Ohio, or held in a specific trust account designated for STAR Ohio.

Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally standard rating service.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

4. CAPITAL ASSETS

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

Description	Balance	Additions	Disposals	Balance
	<u>01/01/2022</u>			<u>12/31/2022</u>
Land	\$955,569	200,252	\$0	\$1,155,821
Work in Process	0	7,600	0	7,600
Facilities & Improvements	3,893,907	1,010,901	200,252	4,704,556
Revenue Vehicles	8,703,075	0	209,727	8,493,348
Service Vehicles	49,771	0	0	49,771
Equipment & Furnishings	1,036,063	24,736	0	1,060,799
Total Capital Assets	<u>\$14,638,385</u>	<u>\$1,243,489</u>	<u>\$409,979</u>	<u>\$15,471,895</u>
Facilities & Improvements	2,283,588	91,220	0	2,374,808
Revenue Vehicles	4,401,070	689,411	209,727	4,880,754
Service Vehicles	43,759	4,804	0	48,563
Equipment & Furnishings	566,339	85,711	0	652,050
Total Accumulated Depreciation	\$7,294,756	\$871,146	\$209,727	\$7,956,175
Total Capital Assets, Net	<u><u>\$7,343,629</u></u>	<u><u>\$372,343</u></u>	<u><u>\$(200,252)</u></u>	<u><u>\$7,515,720</u></u>

5. DEFINED BENEFIT PENSION PLAN

Net Pension Liability

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

The net pension liability represents the ACRTA'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 asset and liability calculations are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

Beginning in 2022, the combined plan was consolidated under the traditional plan (defined benefit plan) and the combined plan option was not available for new hires in 2022.

Funding Policy

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

2022 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2022 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

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

As of December 31, 2021, the date of the last pension actuarial study, the funding period for all defined benefits of the System was 16 years.

The ACRTA's contractually required contribution for 2022 was \$237,372 for employees.

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

The net pension liability for OPERS was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The ACRTA's proportion of the net pension liability was based on the ACRTA's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS
Proportionate of Net Pension Liability:	
Current Measurement Date	.009950%
Prior Measurement Date	.008691%
Change in Proportionate Share	.001259%
Proportionate Share of the Net Pension Liability	\$865,690
Pension Expense	\$129,663

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

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

	OPERS
Deferred Outflows of Resources - Pensions	
Difference between expected and actual experience	\$44,133
Changes in Assumptions	108,254
Differences between expected and actual experience	0
ACRTA contributions subsequent to the measurement date	237,372
Changes in proportion and differences in assumptions	155,790
Total Deferred Outflows of Resources - Pensions	\$545,549
Deferred Inflows of Resources - Pensions	
Differences between expected and actual experience	\$18,987
Net Difference between projected and actual earnings on pension plan investments	1,029,707
Changes in Proportion and the difference between school district contributions and proportionate share of contributions	11,729
Total Deferred Inflows of Resources - Pensions	\$1,060,423

The \$237,372 reported as deferred outflows of resources related to pension resulting from ACRTA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2023	(36,816)
2024	(309,503)
2025	(242,126)
2026	(163,801)
2027	-
Thereafter	-
Total	\$(752,246)

Actuarial Assumptions

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2021, using the following actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2021, the board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing assumptions to actual results.

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(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.2% down to 6.9%, for the defined benefit investments

Key actuarial assumptions and methods used in the latest actuarial valuation, reflecting experience study results, are presented below.

Key Methods and Assumptions Used in Valuation of Total Pension Liability		
Actuarial Information	Traditional Pension Plan	Combined Plan
Measurement and Valuation Date	December 31, 2021	December 31, 2021
Experience Study	5-Year Period Ended December 31, 2020	5-Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age	Individual entry age
Actuarial Assumptions		
Investment Rate of Return	6.90%	6.90%
Wage Inflation	2.75%	2.75%
Projected Salary Increases	2.75%-10.75% (includes wage inflation at 2.75%)	2.75%-8.25% (includes wage inflation at 2.75%)
Cost-of-living Adjustments	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple	Pre-1/7/2013 Retirees: 3.00% Simple Post-1/7/2013 Retirees: 3.00% Simple through 2022, then 2.05% Simple

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

Investment Allocation

During 2021, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 15.3 percent for 2021.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

5. DEFINED BENEFIT PENSION PLAN (Continued)

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The 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 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 rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric rates of return were provided by the Board's investment consultant.

For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation for 2021</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Geometric)</u>
Fixed Income	24.00%	1.03%
Domestic Equities	21.00	3.78
Real Estate	11.00	3.66
Private Equity	12.00	7.43
International Equities	23.00	4.88
Risk Parity	5.00	2.92
Other Investments	4.00	2.85
TOTAL	<u>100.00%</u>	<u>4.21%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.9% for the Traditional Pension Plan, Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the ACRTA's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following table presents the net pension liability or asset calculated using the discount rate of 6.9%, and the expected net pension liability or asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

<u>ACRTA's Net Pension Liability/(Asset) as of December 31, 2021</u>	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
Pension Plan	\$2,282,431	\$865,690	\$313,226

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

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

Net OPEB Liability/Asset

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

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

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

GASB 75 assumes the liability or asset 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/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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.

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(Continued)**

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

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must be at least age 60 with twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an OPEB as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report (ACFR) referenced below for additional information.

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

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in the December 31, 2021 measurement date health care valuation. These changes increased the total OPEB asset for the measurement date December 31, 2021.

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 2022, state and local employers contributed at a rate of 14.0% of earnable salary. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2022. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2022 remains 0 percent for both plans.

The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The ACRTA contractually required contributions for 2022 was \$2,677.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

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

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

The total OPEB asset was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year.

The ACRTA's proportion of the net OPEB asset was based on the ACRTA's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS
Proportion of the Net OPEB Liability	
Current Measurement Date	0.0098490%
Prior Measurement Date	0.0088610%
Change in Proportionate Share	0.0009880%
Proportionate Share of the Net OPEB Asset	(\$308,486)
OPEB Expense	(\$152,939)

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

	OPERS
Deferred Outflows of Resources - OPEB	
Difference between expected and actual experience	\$0
Change in Assumptions	0
Difference between projected and actual earning on plan investments	0
ACRTA contributions subsequent to the measurement date	2,677
Changes in proportion and differences in assumptions	16,623
Total Deferred Outflows of Resources - OPEB	\$19,300
Deferred Inflows of Resources - OPEB	
Differences between expected and actual experience	\$46,793
Difference between projected and actual earning on plan investments	147,064
Changes in proportion and differences in assumptions	136,920
Total Deferred Inflows of Resources - OPEB	\$330,777

The reported \$2,677 as deferred outflows of resources related to OPEB resulting from ACRTA contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2023.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

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

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

Year Ending December 31:	OPERS
2023	(198,261)
2024	(62,639)
2025	(32,133)
2026	(21,121)
2027	0
Thereafter	0
Total	(\$314,154)

Actuarial Assumptions

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

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between the System and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021, by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Actuarial Valuation Date	December 31, 2020
Rolled-Forward Measurement Date	December 31, 2021
Experience Study	5-Year Period Ended December 31, 2020
Actuarial Assumptions	
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	1.84%
Wage Inflation	2.75%
Projected Salary Increases	2.75%-10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.50% initial, 3.5% ultimate in 2034

Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality table (males and females) for State and Local Government divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

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

Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

In 2021, the Board's actuarial consultants conducted an experience study for the period 2016 through 2020, comparing historical assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions.

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

The allocation of investment assets within the Health Care portfolio is approved by the Board as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future 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 rates of return by the target asset allocation percentage, adjusted for inflation.

Best estimates of geometric rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation as of December 31, 2021	Weighted Average Long-Term Expected Real Rate of Return (Geometric)
Fixed Income	34.00%	0.91%
Domestic Equities	25.00	3.78
REITs	7.00	3.71
International		
Equities	25.00	4.88
Risk Parity	2.00	2.92
Other Investments	7.00	1.93
TOTAL	<u>100.00%</u>	<u>3.45%</u>

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

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

Discount Rate

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

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

The following table presents the OPEB asset calculated using the single discount rate of 6.00%, and the expected net OPEB asset if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

<u>As of December 31, 2021</u>	<u>1% Decrease (5.00%)</u>	<u>Single Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
ACRTA's Net OPEB Asset	(\$181,419)	(\$308,486)	(\$413,953)

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

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

The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0% lower or 1.0% higher than the current rate. Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2022 is 5.50%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50% in the most recent valuation.

<u>As of December 31, 2021</u>	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rate Assumption</u>	<u>1% Increase</u>
ACRTA's Net OPEB Asset	(\$311,819)	(\$308,486)	(\$304,531)

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Continued)**

7. RISK MANAGEMENT

The ACRTA participates in the Ohio Transit Risk Pool, (OTRP), related to its risk of property and casualty loss. Under this plan, the ACRTA receives property and casualty loss coverage in exchange for premiums paid. OTRP self-insures the \$2,000,000 on all liability lines with a limit of \$10,000,000 per occurrence. OTRP self-insures \$250,000 on Auto Physical Damage (ADP) losses while on ACRTA premises with a limit of \$50,000,000 but self-insures over the road APD losses to \$2,500,000. OTRP self-insures \$100,000 for all Property Damage losses with a limit of \$250,000,000. The ACRTA has \$1,000 deductible for each loss / occurrence. Any underfunding of the plans liabilities is shared pro-rata by the members based on pool contribution factors comprised of- population, full-time employees, vehicles, property values, budget, claims history times two and net operating expenses.

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

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

8. CONTINGENCIES

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

The ACRTA received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability for the General Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the ACRTA at December 31, 2022.

9. RECEIVABLES

Receivables at December 31, 2022 consisted of accounts (billings), intergovernmental grants, and sales taxes collected on behalf of ACRTA by the State of Ohio. All receivables are considered collectible in full.

10. COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During 2022, the ACRTA received COVID-19 funding. The ACRTA's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. The financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the ACRTA.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

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

	2022	2021	2020	2019	2018
ACRTA's proportion of the Net Pension Liability/(Asset)	.0099500%	.0086910%	0.0089440%	0.0049740%	0.010479%
ACRTA's Proportionate Share of the Net Pension Liability/(Asset)	\$865,690	\$1,286,947	\$1,767,842	\$1,362,278	\$1,643,952
ACRTA's Covered-Employee Payroll	\$1,444,086	\$1,244,107	\$1,085,579	\$956,179	\$1,384,785
ACRTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	59.95%	103.44%	162.85%	142.47%	118.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.62%	83.88%	82.17%	74.70%	84.66%
	2017	2016	2015	2014	
ACRTA's proportion of the Net Pension Liability/(Asset)	0.009648%	0.009475%	0.008630%	0.008863%	
ACRTA's Proportionate Share of the Net Pension Liability	\$2,190,897	\$1,641,190	\$1,068,988	\$1,044,832	
ACRTA's Covered-Employee Payroll	\$1,069,025	\$1,010,825	\$1,357,650	\$1,202,585	
ACRTA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	204.94%	162.36%	78.74%	86.88%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	83.36%	

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ACRTA'S CONTRIBUTIONS - PENSION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS**

	2022	2021	2020	2019	2018
Contractually Required Contribution	\$237,372	\$202,172	\$171,375	\$151,981	\$133,865
Contributions in Relation to the Contractually Required Contribution	\$237,372	\$202,172	\$171,375	\$151,981	\$133,865
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
ACRTA Covered-Employee Payroll	\$1,695,516	\$1,444,086	\$1,224,107	\$1,085,579	\$956,179
Contribution as a Percentage of Covered-Employee Payroll	14.0%	14.0%	14.0%	14.0%	14.0%
	2017	2016	2015	2014	2013
Contractually Required Contribution	\$180,022	\$128,283	\$121,299	\$162,918	\$156,336
Contributions in Relation to the Contractually Required Contribution	\$180,022	\$128,283	\$121,299	\$162,918	\$156,336
Contribution Deficiency (Excess)	\$0	\$0	\$0	\$0	\$0
ACRTA Covered-Employee Payroll	\$1,384,785	\$1,069,025	\$1,010,825	\$1,357,650	\$1,202,585
Contribution as a Percentage of Covered-Employee Payroll	13.0%	12.0%	12.0%	12.0%	13.0%

See accompanying notes to the required supplementary information.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

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

	2022	2021	2020	2019	2018
ACRTA's proportion of the Net OPEB Liability (Asset)	0.0098490%	0.0088610%	0.0092229%	0.051930%	0.010470%
ACRTA's Proportionate Share of the Net OPEB Liability (Asset)	\$(308,486)	\$(157,865)	\$1,274,765	\$677,045	\$1,136,965
ACRTA's Covered-Employee Payroll	\$1,444,086	\$1,224,107	\$1,085,579	\$956,179	\$1,384,785
ACRTA's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	(21.36%)	(12.90%)	117.43%	70.81%	82.10%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	128.23%	115.57%	47.80%	46.33%	54.14%
	<hr/>				
	2017				
ACRTA's proportion of the Net OPEB Liability	0.009648%				
ACRTA's Proportionate Share of the Net OPEB Liability (Asset)	\$1,057,506				
ACRTA's Covered-Employee Payroll	\$1,069,025				
ACRTA's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	98.92%				
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	77.25%				

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

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

	2022	2021	2020	2019	2018
Contractually Required Contribution	\$2,677	\$ 534	\$ 1,824	\$2,743	\$2,549
Contributions in Relation to the Contractually Required Contribution	<u>\$2,677</u>	<u>\$ 534</u>	<u>\$1,824</u>	<u>\$2,743</u>	<u>\$2,549</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
ACRTA Covered-Employee Payroll	<u>\$1,695,516</u>	<u>\$1,444,086</u>	<u>\$1,224,107</u>	<u>\$1,085,579</u>	<u>\$956,179</u>
Contribution as a Percentage of Covered-Employee Payroll	0.16%	0.04%	0.15%	0.25%	<u>0.24%</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>	2014	
Contractually Required Contribution	\$16,033	\$27,051	\$24,314	\$21,733	
Contributions in Relation to the Contractually Required Contribution	<u>\$16,033</u>	<u>\$27,051</u>	<u>\$24,314</u>	\$21,733	
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	
ACRTA Covered-Employee Payroll	<u>\$1,384,785</u>	<u>\$1,069,025</u>	<u>\$1,010,825</u>	<u>\$1,357,650</u>	
Contribution as a Percentage of Covered-Employee Payroll	1.16%	2.53%	2.41%	1.60%	

(1) Information prior to 2014 is not available.

See accompanying notes to the required supplementary information.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022**

Pension

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the amounts reported.

Changes in assumptions: there was a change in methods and assumptions used in the calculation of actuarial determined contributions in 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the amounts reported.

Changes in assumptions: there was a change in methods and assumptions used in the calculation of actuarial determined contributions in 2022. See the notes to the basic financial statements for the methods and assumptions in this calculation.

ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal AL Number	Grant Number	Total Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
Direct Program:			
Federal Transit Cluster:			
Federal Transit_Formula Grants	20.507	OH-2019-016-00	1,375,262
COVID-19 Federal Transit_Formula Grants - Cares Act	20.507	OH-2020-015-00	<u>726,549</u>
Total Federal Transit Cluster:			<u>2,101,811</u>
Total U.S. Department of Transportation			<u>2,101,811</u>
Total Expenditures of Federal Awards			<u><u>\$2,101,811</u></u>

The accompanying notes are an integral part of this schedule.

**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2022**

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C - MATCHING REQUIREMENTS

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

NOTE D – INDIRECT COST RATE

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

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

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

Allen County Regional Transit Authority
Allen County
200 East High Street, Suite 1C
Lima, Ohio 45801

To the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statement, of the Allen County Regional Transit Authority, Allen County, (the ACRTA) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the ACRTA's basic financial statements and have issued our report thereon dated December 11, 2023, wherein noted the financial impact of COVID-19 and the continuing recovery measures may impact subsequent periods of the ACRTA.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

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

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 ACRTA'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 ACRTA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 11, 2023

OHIO AUDITOR OF STATE KEITH FABER



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

Allen County Regional Transit Authority
Allen County
200 East High Street, Suite 1C
Lima, Ohio 45801

To the Board of Trustees:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

December 11, 2023

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**ALLEN COUNTY REGIONAL TRANSIT AUTHORITY
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Federal Transit Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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 Lima, OH 45801
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

DECEMBER 31, 2022

Finding Number	Finding Summary	Status	Additional Information
2021-001	<p>2 CFR §200.320(b) – The ACRTA purchased five Ford E-450 vans at a cost of \$70,277.95 each for a total of \$351,389.75 which was 10.1% of the total expenditures from the Federal Transit Cluster. The contract price of the vans contract exceeds the simple acquisition threshold of \$250,000 which required the contract to use one of the formal procurement methods, however, the ACRTA did not use any of the formal procurement methods before awarding the contract for the five Ford E-450 vans.</p>	<p>Corrective Action Taken and Finding is Fully Corrected</p>	<p>The vans were ordered in November of 2020. Deficiencies were discovered with the ACRTA Procurement Manual and its application during the Triennial Review. The Procurement Policy and Purchasing Procedures Manual was revised in April of 2021 and applicable personnel were trained on the updated policy in July of 2021. Proper procurement procedures are now followed for all purchases.</p>

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OHIO AUDITOR OF STATE KEITH FABER



ALLEN COUNTY REGIONAL TRANSIT AUTHORITY

ALLEN COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/4/2024

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Phone: 614-466-4514 or 800-282-0370

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