

TOLEDO AREA
REGIONAL
TRANSIT
AUTHORITY



Year Ended
December 31,
2015 and 2014

Financial
Statements



Dave Yost • Auditor of State

Board of Trustees
Toledo Area Regional Transit Authority
1127 West Central Avenue
Toledo, OH 43697

We have reviewed the *Independent Auditors' Report* of the Toledo Area Regional Transit Authority, Lucas County, prepared by Rehmann Robson LLC, for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

August 25, 2016

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

June 30, 2016

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio**Report on the Financial Statements**

We have audited the accompanying financial statements of the *Toledo Area Regional Transit Authority* (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The financial statements of Toledo Area Regional Transit Authority as of and for the year ended December 31, 2014, were audited by other auditors whose report dated July 17, 2015, expressed an unmodified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Notes 1 and 5, the Authority implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions in the current year*. Accordingly, beginning net position as of January 1, 2015 was restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated June 30, 2016, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Rehmann Johnson LLC

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

As financial management of the Toledo Area Regional Transit Authority (the "Authority"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2015 and 2014. This discussion and analysis is designed to assist the reader in focusing on the significant changes in the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights in 2015

- The Authority's total net position, before cumulative effect of change in accounting principle, decreased \$1,827,289, or 4.8%, over the course of the year's operations.
- The Authority's operating expenses, excluding depreciation, in 2015 were \$1,304,000, or 4.8% higher than in 2014. An increase in costs associated with services, materials and supplies and wages contributed to this increase.
- Operating revenues for the Authority of \$6,608,000 in 2015 increased \$1,641,000 compared with 2014. A new contract with the Toledo Public Schools contributed to the increase.
- Property tax revenues of \$13,454,000 (2.5 mils) were up \$709,000 compared to 2014. This tax represents 49% of all revenues received. This increase was due to House Bill 66 and increased property tax rollbacks.
- Total funding from the State of Ohio increased slightly and will be used for maintenance expenses.
- The Authority provided no charter services in 2015 in accordance with current federal regulations.

Financial Highlights in 2014

- The Authority's total net position decreased \$5,292,000, or 12%, over the course of the year's operations.
- The Authority's operating expenses, excluding depreciation, in 2014 were \$1,673,000, or 6.6% higher than in 2013. An increase in costs associated with services, materials and supplies and wages contributed to this increase.
- Operating revenues for the Authority of \$4,967,000 in 2014 increased \$66,000 compared with 2013. An increase in the Toledo Board of Education contract contributed to the increase.
- Property tax revenues of \$12,745,000 (2.5 mils) were down \$310,000 compared to 2013. This tax represents 49% of all revenues received. This decrease was due to withdrawal of Spencer Township and property valuation reductions.
- Total funding from the State of Ohio increased slightly and will be used for maintenance expenses.
- The Authority provided no charter services in 2014 in accordance with current federal regulations.

Overview of the Financial Statements

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

Required Financial Statements

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

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

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

Notes to the Financial Statements

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

Financial Analysis of the Authority

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Regional Transit Authority's Net Position

	Net Position		
	2015	2014	2013
Assets			
Current assets	\$ 25,772,510	\$ 26,155,139	\$ 27,451,881
Restricted assets	56,286	56,286	46,935
Capital assets, net	27,657,884	28,217,831	31,901,771
	<u>53,486,680</u>	<u>54,429,256</u>	<u>59,400,587</u>
Deferred outflows of resources	2,409,857	-	-
Liabilities			
Current liabilities	4,451,750	3,498,836	2,893,547
Long-term liabilities	11,606,432	-	-
	<u>16,058,182</u>	<u>3,498,836</u>	<u>2,893,547</u>
Deferred inflows of resources	12,995,792	12,675,000	12,960,000
Net position			
Investment in capital assets	27,657,884	28,217,831	31,901,771
Restricted for capital acquisitions	56,286	56,286	46,935
Unrestricted (deficit)	(871,607)	9,981,303	11,598,334
	<u>(871,607)</u>	<u>9,981,303</u>	<u>11,598,334</u>
Total net position	<u>\$ 26,842,563</u>	<u>\$ 38,255,420</u>	<u>\$ 43,547,040</u>

The largest portion of the Authority's net position reflect investment in capital assets (e.g. diesel buses, operating facilities). The Authority uses these assets to provide public transportation service for the Cities of Toledo, Sylvania, Maumee, and Rossford; Sylvania Township; and the Villages of Ottawa Hills and Waterville. These capital assets are not available to liquidate liabilities or other spending.

Year Ended December 31, 2015

Investment in capital assets decreased to \$27.7 million in 2015 from \$28.2 million in 2014, a reduction of 2%. The decrease was due primarily to current year depreciation exceeding 2015 additions. There were net disposals of approximately \$19,000 in 2015 and no disposals in 2014.

On January 1, 2015, the Authority implemented GASB Statement No. 68, Accounting and Financial Reporting for Pension. The adoption of the new standard - which requires employers participating in cost-sharing multiple employer retirement plans to recognize a share of the retirement plans' unfunded pension liabilities - resulted in a \$9,585,568 reduction in the Authority's opening unrestricted net position. The net pension liability recognized by the Authority at December 31, 2015 was \$11,606,432. Related deferred outflows and inflows as of December 31, 2015 were \$2,409,857 and \$120,792, respectively.

Year Ended December 31, 2014

Investment in capital assets decreased to \$28.2 million in 2014 from \$31.9 million in 2013, a reduction of 12%. The decrease was due primarily to current year depreciation exceeding 2014 additions. There were no disposals in 2014 and net disposals of approximately \$98,000 in 2013.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Changes in Net Position

	Change in Net Position		
	2015	2014	2013
Operating revenues	\$ 6,607,810	\$ 4,966,661	\$ 4,900,196
Operating expenses, excluding depreciation	(28,235,369)	(26,931,139)	(25,258,262)
Depreciation expense	(4,306,177)	(4,446,131)	(5,089,716)
Operating loss	(25,933,736)	(26,410,609)	(25,447,782)
Nonoperating revenues:			
Property taxes	13,453,821	12,744,709	13,054,854
Federal operating and preventive maintenance grants	6,359,647	6,630,922	6,286,897
State operating and preventive maintenance grants	914,191	898,910	843,127
Other nonoperating revenues	43,861	151,488	240,338
Total nonoperating revenues	20,771,520	20,426,029	20,425,216
Capital contributions	3,334,927	692,960	6,238,528
Increase (decrease) in net position	(1,827,289)	(5,291,620)	1,215,962
Net position, beginning of year	38,255,420	43,547,040	42,331,078
Implementation of GASB 68	(9,585,568)	-	-
Net position, end of year	\$ 26,842,563	\$ 38,255,420	\$ 43,547,040

Year Ended December 31, 2015

The Authority's operating revenues for 2015 were up approximately \$1.6 million from 2014, or 33%. Passenger fares increased \$141,713, or 3%. Revenue from contract service to the Toledo Public Schools increased \$1.7 million, more than 100% in 2015. Miles of service of 3.4 million for fixed line service was up from the prior year. Operating expenses, excluding depreciation, increased by approximately \$1,304,000 or 4.8% from 2014 primarily from expenses related to increased maintenance expense and paratransit expense. The 2015 nonoperating revenues of \$20.8 million were higher than revenues in 2014 due to increases in property taxes.

Year Ended December 31, 2014

The Authority's operating revenues for 2014 were up to \$66,500 from 2013, or 1%. Ridership on line service amounted to 2.8 million in 2014, with a decrease of 237,000 from 2013. In addition, miles of service of 3.1 million for fixed line service was down from the prior year. Paratransit revenues for 2014 were up by \$203,600 from 2013. Revenues from contract service to the Toledo Public Schools increased by \$97,800 or 16% in 2014. Operating expenses, excluding depreciation, increased by \$1.7 million or 6.6% from 2013 primarily from expenses related to increased maintenance expense and paratransit expense. The 2014 nonoperating revenues of \$20.4 million was comparable to nonoperating revenues in 2013.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Management's Discussion and Analysis

Capital Contributions

Year Ended December 31, 2015

Capital contributions from federal and state agencies in 2015 were \$3,334,927. In 2015, the Authority upgraded the digital radio system at a cost of \$421,000, replaced roof at a cost of \$272,800 and purchased vehicles at a cost of \$1,642,000. In progress at the end of the year is a solar project, software upgrade and transit center with costs to-date of approximately \$620,000.

Year Ended December 31, 2014

Capital contributions from federal and state agencies in 2014 were \$243,000. In 2014, the Authority upgraded the vehicle camera system at a cost of \$115,300 and the facility fire panel at a cost of \$75,000. In progress at the end of the year is a digital radio upgrade and a scheduling software upgrade. Two lifts were purchased at the end of the year at a cost of \$113,800 which will be placed into service next year.

Capital Asset and Debt Administration

Capital Assets 2015

The Authority's investment in capital assets amounts to \$27.6 million, net of accumulated depreciation, as of December 31, 2015, a decrease of approximately \$560,000 or 2% compared with 2014. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include the installation of a new roof, digital radio system and vehicle purchases.

Capital Assets 2014

The Authority's investment in capital assets amounts to \$28.2 million, net of accumulated depreciation, as of December 31, 2014, a decrease of \$3.6 million or 12% compared with 2013. Capital assets include land improvements, revenue producing and servicing equipment, buildings and structures, shop equipment, office furnishings and computer equipment. Major capital expenditures during the year include the installation of a new camera system and firepanel upgrade.

Long-Term Debt

The Authority has no outstanding long-term debt as of December 31, 2015 and 2014.

Requests for Information

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Net Position

	December 31,	
	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,332,658	\$ 4,608,703
Property taxes receivable	12,875,000	12,675,157
Accounts receivable, net	9,439,131	7,923,658
Inventories	976,729	835,498
Prepays	148,992	112,123
Total current assets	<u>25,772,510</u>	<u>26,155,139</u>
Noncurrent assets:		
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Capital assets not being depreciated	1,659,300	1,345,513
Capital assets being depreciated, net	25,998,584	26,872,318
Total noncurrent assets	<u>27,714,170</u>	<u>28,274,117</u>
Total assets	<u>53,486,680</u>	<u>54,429,256</u>
Deferred outflow of resources - Deferred pension amounts	<u>2,409,857</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	2,017,066	1,509,328
Accrued payroll and vacation pay	1,052,935	636,577
Accrued employers' contribution to Ohio Public Employees Retirement System	231,032	171,955
Accrued claims	668,389	830,163
Unearned revenue	403,193	244,309
Other	79,135	106,504
Total current liabilities	<u>4,451,750</u>	<u>3,498,836</u>
Noncurrent liabilities - Net pension liability	<u>11,606,432</u>	<u>-</u>
Total liabilities	<u>16,058,182</u>	<u>3,498,836</u>
Deferred inflows of resources		
Property taxes levied for a subsequent period	12,875,000	12,675,000
Deferred pension amounts	120,792	-
Total deferred inflows of resources	<u>12,995,792</u>	<u>12,675,000</u>
Net position		
Investment in capital assets	27,657,884	28,217,831
Restricted for capital acquisitions	56,286	56,286
Unrestricted (deficit)	(871,607)	9,981,303
Total net position	<u>\$ 26,842,563</u>	<u>\$ 38,255,420</u>

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended December 31,	
	2015	2014
Operating revenues		
Passenger fares	\$ 3,929,286	\$ 4,070,999
Toledo Board of Education and other contracts	2,524,350	749,155
Auxiliary transportation revenue	154,174	146,507
Total operating revenues	6,607,810	4,966,661
Operating expenses		
Labor	13,922,046	12,740,709
Fringe benefits	5,202,698	4,382,122
Materials and supplies	4,951,785	4,730,449
Services	1,269,754	865,319
Fuel	1,868,079	2,948,028
Taxes	286,100	269,813
Claims and insurance	236,822	498,146
Utilities	487,254	479,769
Miscellaneous	10,831	16,784
Total operating expenses	28,235,369	26,931,139
Operating loss before depreciation	(21,627,559)	(21,964,478)
Depreciation	4,306,177	4,446,131
Operating loss	(25,933,736)	(26,410,609)
Nonoperating revenues		
Property taxes	13,453,821	12,744,709
Federal operating and preventive maintenance assistance	6,359,647	6,630,922
State operating and preventive maintenance grants and assistance	914,191	898,910
Investment income	4,113	5,712
Gain on disposal of capital assets	11,543	-
Nontransportation revenues	28,205	145,776
Total nonoperating revenues	20,771,520	20,426,029
Net loss before capital contributions	(5,162,216)	(5,984,580)
Capital contributions	3,334,927	692,960
Change in net position	(1,827,289)	(5,291,620)
Net position, beginning of year	38,255,420	43,547,040
Implementation of GASB Statement No. 68	(9,585,568)	-
Net position, end of year	\$ 26,842,563	\$ 38,255,420

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2015	2014
Cash flows from operating activities		
Receipts from fares and contracts	\$ 6,794,849	\$ 3,887,808
Payments to suppliers	(8,808,356)	(8,838,356)
Payments for labor and employee benefits	(19,079,284)	(16,915,678)
Net cash used in operating activities	<u>(21,092,791)</u>	<u>(21,866,226)</u>
Cash flows from noncapital financing activities		
Property tax receipts	13,453,978	12,744,552
Federal operating and preventive maintenance assistance	4,815,560	4,903,640
State operating and preventive maintenance grants and assistance	914,650	839,828
Nontransportation receipts	28,205	145,776
Net cash provided by noncapital financing activities	<u>19,212,393</u>	<u>18,633,796</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(3,765,281)	(762,191)
Capital contributed by governmental units	3,334,927	242,960
Proceeds from sale of capital assets	30,594	-
Net cash used in capital and related financing activities	<u>(399,760)</u>	<u>(519,231)</u>
Cash flows from investing activities		
Interest on investments	4,113	5,712
Net change in cash and cash equivalents	<u>(2,276,045)</u>	<u>(3,745,949)</u>
Cash and cash equivalents, beginning of year	<u>4,664,989</u>	<u>8,410,938</u>
Cash and cash equivalents, end of year	<u>\$ 2,388,944</u>	<u>\$ 4,664,989</u>
Cash and cash equivalents from Statements of Net Position:		
Cash and cash equivalents	\$ 2,332,658	\$ 4,608,703
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Total cash and cash equivalents	<u>\$ 2,388,944</u>	<u>\$ 4,664,989</u>

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Statements of Cash Flows

	For the Year Ended December 31	
	2015	2014
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (25,933,736)	\$ (25,845,199)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	4,306,177	4,446,131
Changes in assets and liabilities:		
Accounts receivable - trade and other	28,155	(1,134,252)
Inventories	(141,231)	35,608
Prepaid expenses and deposits	(36,869)	26,197
Deferred outflows - pension	(623,356)	-
Accounts payable	507,738	323,032
Accrued liabilities and other	286,292	226,858
Unearned revenue	158,884	55,399
Net pension liability	234,363	-
Deferred inflows - pension	120,792	-
Net cash used in operating activities	<u>\$ (21,092,791)</u>	<u>\$ (21,866,226)</u>

concluded

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants and entitlements. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. Taxes levied in 2015 that will be collected in 2016 are recorded as a receivable and deferred inflow of resources. Deferred inflows arise when assets are recognized before revenue recognition criteria have been satisfied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Assets, Liabilities and Equity

Cash and Cash Equivalents

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

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

Inventories and Prepaid Expenses

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

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

Investments

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

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

Capital Assets

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

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

Compensated Absences

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

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

Budgets and Budgetary Accounting

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

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

The Authority had no expenditures in excess of appropriations at the legal level of appropriation for the years ended December 31, 2015 and 2014.

Net Position

Equity is displayed in three components as follows:

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

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

Revenue

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

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

Capital Contributions

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

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

Reclassifications

Certain amounts as reported in the 2014 financial statements have been reclassified to conform with the 2015 presentation.

Implementation of GASB 68

In 2015, the Authority implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions". GASB 68 requires employers participating in cost-sharing multiple-employer pension plans to recognize a proportionate share of the net pension liabilities of the plans. The Authority participates in the Ohio Public Employees Retirement System. A proportionate share of the net pension liabilities of the retirement system has been allocated to the Authority, based on retirement plan contributions to Authority employees. The cumulative effect of adopting GASB 68 was a \$9,585,568 reduction in the Authority's unrestricted net position as of January 1, 2015. Balances reported for the year ended December 31, 2014 have not been restated due to limitations on the information available from the retirement system. Additional information regarding net pension liabilities, related deferrals and pension expense is provided in Note 5.

2. DEPOSIT AND INVESTMENTS

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

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

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

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

Deposits

Information regarding the Authority's deposits at December 31, 2015 and 2014 as follows:

	2015	2014
Book/carrying value of deposits:		
Cash and cash equivalents	\$ 2,332,658	\$ 4,608,703
Restricted cash and cash equivalents for capital acquisitions	56,286	56,286
Total book balance	\$ 2,388,944	\$ 4,664,989
Bank balance:		
Covered by federal depository insurance	\$ 642,806	\$ 754,165
Covered by pledged pooled collateral	2,134,397	4,350,146
Total bank balance	\$ 2,777,203	\$ 5,104,311

3. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Capital grants	\$ 7,296,995	\$ 5,753,368
Trade and other	2,157,136	2,188,290
	9,454,131	7,941,658
Less allowance for doubtful receivables	15,000	18,000
Total accounts receivable, net	\$ 9,439,131	\$ 7,923,658

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 743,224	\$ -	\$ -	\$ 743,224
Construction in progress	602,289	787,251	473,464	916,076
Total capital assets not being depreciated	1,345,513	787,251	473,464	1,659,300
Capital assets, being depreciated:				
Buildings	18,171,296	448,199	-	18,619,495
Land improvements	1,615,202	9,328	-	1,624,530
Transit stations	7,372,438	-	-	7,372,438
Transportation equipment	44,447,815	2,087,032	991,219	45,543,628
Other equipment (primarily service equipment, furniture and fixtures, computers and computer equipment, software and transit shelters)	12,204,212	906,935	484,866	12,626,281
Total capital assets being depreciated	83,810,963	3,451,494	1,476,085	85,786,372
Less accumulated depreciation for:				
Buildings	7,351,046	525,008	-	7,876,054
Land improvements	1,574,648	7,240	-	1,581,888
Transit stations	4,000,864	291,465	-	4,292,329
Transportation equipment	34,242,354	2,859,111	991,219	36,110,246
Other equipment	9,769,733	623,353	465,815	9,927,271
Total accumulated depreciation	56,938,645	4,306,177	1,457,034	59,787,788
Total capital assets being depreciated, net	26,872,318	(854,683)	19,051	25,998,584
Total capital assets, net	\$ 28,217,831	\$ (67,432)	\$ 492,515	\$ 27,657,884

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Capital asset activity for the year ended December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 743,224	\$ -	\$ -	\$ 743,224
Construction in progress	167,655	561,899	127,265	602,289
Total capital assets not being depreciated	910,879	561,899	127,265	1,345,513
Capital assets, being depreciated:				
Buildings	18,155,896	15,400	-	18,171,296
Land improvements	1,615,202	-	-	1,615,202
Transit stations	7,372,438	-	-	7,372,438
Transportation equipment	44,415,915	31,900	-	44,447,815
Other equipment (primarily service equipment, furniture and fixtures computers and computer equipment, software and transit shelters	11,923,955	280,257	-	12,204,212
Total capital assets being depreciated	83,483,406	327,557	-	83,810,963
Less accumulated depreciation for:				
Buildings	6,827,025	524,021	-	7,351,046
Land improvements	1,567,382	7,266	-	1,574,648
Transit stations	3,708,006	292,858	-	4,000,864
Transportation equipment	31,154,813	3,087,541	-	34,242,354
Other equipment	9,235,288	534,445	-	9,769,733
Total accumulated depreciation	52,492,514	4,446,131	-	56,938,645
Total capital assets being depreciated, net	30,990,892	(4,118,574)	-	26,872,318
Total capital assets, net	\$ 31,901,771	\$ (3,556,675)	\$ 127,265	\$ 28,217,831

5. DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS

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

OPERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Chapter 145 of the ORC assigns the Authority to establish and amend benefit provisions to the OPERS Board of Trustees (Board). OPERS issues separate, publicly available financial report that includes the financial statements and required supplemental information. These reports may be obtained by contacting the OPERS at 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 1-800-222-PERS (7377) or www.opers.org/investments/cafr.shtml.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

In accordance with GASB Statement No. 68, employers participating in the cost-sharing multiple-employer plans are required to recognize a proportionate share of the collective net pension liabilities of the plans. Although changes in the net pension liability generally are recognized as pension expense in the current period. GASB 68 requires certain items to be deferred and recognized as expense in the future periods. Deferrals for differences between projected and actual investment returns are amortized to pension expense over five years. Deferrals for employer contributions subsequent to the measurement date are amortized in the following period (one year). Other deferrals are amortized over the estimated remaining service lives of both active and inactive employees (amortization periods range from 3 to 9 years).

The collective net pension liabilities of the retirement systems and the Authority's proportionate share of these net pension liabilities as of December 31, 2015 are as follows:

Net pension liability - all employers	\$ 12,022,615,276
Proportion of the net pension liability	0.096557%
Proportion share of net pension liability	\$ 11,606,432

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of December 31, 2015:

Deferred Outflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 467,845
Employer contributions subsequent to the measurement date	1,942,012
Total	<u>\$ 2,409,857</u>

Deferred Inflows of Resources

Difference between expected and actual experience	<u>\$ 120,792</u>
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Net deferred outflows of resources and deferred inflows of resources related to the pensions will be recognized in pension expense during the years ending December 31 as follows:

2016	\$ 2,002,129
2017	138,724
2018	154,518
2019	(1,431)
2020	(1,431)
2021 and thereafter	(3,444)
	<u>\$ 2,289,065</u>

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Summary of Employer Pension Expense

Total pension expense recognized for the year ended December 31, 2015 including employer contributions and accruals associated with recognition of net pension liability and related deferrals is presented below:

Employer contributions	\$ 1,942,012
GASB 68 accruals	(268,201)
Total pension expense	<u>\$ 1,673,811</u>

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

Benefit Formula	Benefits are calculated on the basis of age, final average salary (FAS) and service credit. State and Local members in transition Groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for State and Local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of services. For Groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For Group C, the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. FAS represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of annual cost-of-living adjustment.
Cost-of-Living Adjustments	Once a benefit recipient retiring under the Traditional Pension Plan has received benefits for 12 months, an annual 3% cost-of-living adjustment is provided on the member's base benefit.
Contribution Rates	Employee and member contribution rates are established by the OPERS Board and limited by Chapter 145 of the Ohio Revised Code. For 2014, employer rates for the State and Local Divisions were 14% of covered payroll. Member rates for the State and Local Divisions were 10% of covered payroll.
Measurement Date	December 31, 2014
Actuarial Assumptions	Valuation Date: December 31, 2014 Actuarial Cost Method: Individual entry age Investment Rate of Return: 8.00% Wage Inflation: 3.75% Projected Salary Increases: 4.25% - 10.05%, including wage inflation Cost-of-Living Adjustments: 3.00% Simple
Mortality Rates	RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120% of the disabled male mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.
Date of Last Experience Study	December 31, 2010

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Investment Return Assumptions	<p>The long term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board approved asset allocation policy for 2014 and the long-term expected real rates of return:</p> <table border="1" data-bbox="493 520 1432 842"> <thead> <tr> <th data-bbox="493 583 1045 611">Asset Class</th> <th data-bbox="1045 554 1252 611">Target Allocation</th> <th data-bbox="1252 520 1432 611">Long Term Expected Return*</th> </tr> </thead> <tbody> <tr> <td data-bbox="493 636 1045 663">Fixed Income</td> <td data-bbox="1045 636 1252 663">23.0%</td> <td data-bbox="1252 636 1432 663">2.31%</td> </tr> <tr> <td data-bbox="493 663 1045 690">Domestic Equity</td> <td data-bbox="1045 663 1252 690">19.9%</td> <td data-bbox="1252 663 1432 690">5.84%</td> </tr> <tr> <td data-bbox="493 690 1045 718">Real Estate</td> <td data-bbox="1045 690 1252 718">10.0%</td> <td data-bbox="1252 690 1432 718">4.25%</td> </tr> <tr> <td data-bbox="493 718 1045 745">Private Equity</td> <td data-bbox="1045 718 1252 745">10.0%</td> <td data-bbox="1252 718 1432 745">9.25%</td> </tr> <tr> <td data-bbox="493 745 1045 772">International Equity</td> <td data-bbox="1045 745 1252 772">19.1%</td> <td data-bbox="1252 745 1432 772">7.40%</td> </tr> <tr> <td data-bbox="493 772 1045 800">Other Investments</td> <td data-bbox="1045 772 1252 800">18.0%</td> <td data-bbox="1252 772 1432 800">4.59%</td> </tr> <tr> <td data-bbox="493 800 1045 827">Total</td> <td data-bbox="1045 800 1252 827">100.0%</td> <td data-bbox="1252 800 1432 827">5.28%</td> </tr> </tbody> </table> <p data-bbox="493 863 1432 890">*Returns presented as arithmetic means</p>			Asset Class	Target Allocation	Long Term Expected Return*	Fixed Income	23.0%	2.31%	Domestic Equity	19.9%	5.84%	Real Estate	10.0%	4.25%	Private Equity	10.0%	9.25%	International Equity	19.1%	7.40%	Other Investments	18.0%	4.59%	Total	100.0%	5.28%
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Other Investments	18.0%	4.59%																									
Total	100.0%	5.28%																									
Discount Rate	<p>The discount rate used to measure the total pension liability was 8.0%. 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 statutorily required rates. 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 was applied to all periods of projected benefit payments to determine the total pension liability.</p>																										
Sensitivity of Authority's proportionate share of Net Pension Liability to Changes in Discount Rate	<table border="1" data-bbox="493 1150 1432 1350"> <thead> <tr> <th data-bbox="493 1150 862 1178"></th> <th data-bbox="862 1150 1170 1178">Current</th> <th data-bbox="1170 1150 1432 1178"></th> </tr> <tr> <th data-bbox="493 1178 862 1241">1% Decrease (7.00%)</th> <th data-bbox="862 1178 1170 1241">Discount Rate (8.00%)</th> <th data-bbox="1170 1178 1432 1241">1% Increase (9.00%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="493 1241 862 1350">\$21,430,152</td> <td data-bbox="862 1241 1170 1350">\$11,606,432</td> <td data-bbox="1170 1241 1432 1350">\$3,334,686</td> </tr> </tbody> </table>				Current		1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)	\$21,430,152	\$11,606,432	\$3,334,686															
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1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)																									
\$21,430,152	\$11,606,432	\$3,334,686																									

Defined Contribution Plans

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

Combined Plans

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

Post-Retirement Health Care Benefits

OPERS currently provides post-employment health care benefits to retirees with ten or more years of qualifying service credit. These benefits are advanced -funded on an actuarially determined basis and are financed through employer contributions and investment earnings. OPERS determines the amount, if any, of the associated health care costs that will be absorbed by OPERS. Under the Ohio Revised Code, funding for medical costs paid from the funds of OPERS is included in the employer contribution rate. For calendar year 2013, OPERS allocated 1.0% of the employer contribution rate to fund the health care program for retirees, and this rate was increased to 2.0% for calendar year 2014 as recommended by the OPERS actuary.

Funding Policy

ORC provides OPERS statutory authority to set employee and employer contributions. The required contribution rates (as a percentage of covered payroll) for plan members and the Authority are 10% and 14%, respectively.

The Authority's contributions, which represent 100% of required employer contributions, for the year ended December 31, 2015 and for each of the two preceding years were \$1,942,012, \$1,786,503 and \$1,722,000.

7. RISK MANAGEMENT

Property and Liability

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

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

Health Insurance

The Authority provides hospitalization and medical benefits coverage to all of its full-time employees. The Authority is self-insured, with certain stop-loss coverage, for hospitalization and medical benefits coverage and expense totaled approximately \$3.5 million in 2015, \$3.0 million in 2014, and \$2.9 million in 2013. No claims have exceeded the stop-loss coverage during the past three years. In addition, the Authority provides life insurance coverage to all full-time employees. Effective January 1, 2014, the Authority switched providers to the Ohio Transit Risk Pool.

Workers' Compensation

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

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

The Authority has agreed to pay all claims up to a maximum of 150% of what the Authority would have paid had the Authority remained an experience-rated risk. Claims exceeding these limits will be paid by the State. Each year, the Authority pays the State a "minimum premium" for retaining the risk of having to pay claims which exceed the Authority's maximum claim limits. Ten years after each year the Authority elected the retrospective plan for workers' compensation, the Authority settles up for the reserve on any claims that are still open. The accrued claims liability amounted to \$125,000 and \$208,000 at December 31, 2015 and 2014, respectively.

Changes in the accrued claims liability, including general liability, medical, and workers' compensation, for the years ended December 31, 2015, 2014, and 2013, are as follows:

	2015	2014	2013
January 1, liability	\$ 830,163	\$ 660,083	\$ 651,160
Current year claims and changes in estimates	3,340,723	3,240,973	3,002,525
Claim payments	(3,502,497)	(3,070,893)	(2,993,602)
December 31, liability	<u>\$ 668,389</u>	<u>\$ 830,163</u>	<u>\$ 660,083</u>

8. PROPERTY TAX REVENUES

The Authority is subsidized by two annual property tax levies consisting of a 1.0 mill levy in effect through 2020 and a 1.5 mill levy in effect through 2017. Revenues generated from the 1.0 mill and 1.5 mill levies are based on property valuations conducted in 2001 and 2007, respectively, for property located within the Authority's operating district. The valuation performed in 2013 affected levy proceeds beginning in 2014. Property tax revenue may be used for operating or capital purposes. In November 2007, voters in the nine community transit districts approved a 1.5 mill replacement levy which was effective January 2008. In November 2010, voters approved a 10 year 1.0 mill renewal levy.

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

Real property and tangible personal property taxes collected during fiscal year 2015 and 2014 had a lien and levy date of December 2014 and 2013, respectively.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

9. GRANTS, REIMBURSEMENTS AND SPECIAL FARE ASSISTANCE

Federal operating and preventive maintenance assistance consist of the following for the years ended December 31, 2015 and 2014:

	2015	2014
FTA preventive maintenance assistance and ADA	\$ 2,474,466	\$ 1,657,513
FTA bio fuel grant	640,000	1,724,183
FTA operating assistance	2,924,070	2,924,070
FTA short-range planning and marketing	321,111	325,156
Total	\$ 6,359,647	\$ 6,630,922

State operating and preventive maintenance grants and special fare assistance consist of the following for the years ended December 31, 2015 and 2014:

	2015	2014
State fuel tax reimbursement	\$ 275,882	\$ 260,142
ODT operating assistance	638,309	638,768
Total	\$ 914,191	\$ 898,910

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Authority has cancellable operating leases executed in one-year intervals for revenue vehicle tire utilization. Total rental expense for all operating leases amounted to approximately \$344,000 and \$329,000 for the years ended December 31, 2015 and 2014, respectively.

Litigation

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

Grants

Under the terms of the Authority's various capital and operating grants, periodic audits are required where certain costs could be questioned as not being an eligible expenditure under the terms of the grants. At December 31, 2015 and 2014, there were no material questioned costs that had not been resolved with the federal or state agencies. Questioned costs could still be identified during audits to be conducted in the future. Management of the Authority believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above grants.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Financial Statements

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

Union Contracts

The Authority has three union contracts, which cover drivers, mechanics, administrative and TARPS employees. A new TARPS contract expired in 2010 and is currently in negotiations. The Authority and the administrative union entered a new contract effective May 2015 through 2018. The Authority and the contract covering fixed line operators and mechanics also entered a new contract effective May 2015 through 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Required Supplementary Information OPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended December 31, 2015
Agency's proportion of the net pension liability	0.097%
Agency's proportionate share of the net pension liability	\$ 11,606,432
Agency's covered-employee payroll	13,518,647
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	85.85%
Plan fiduciary net position as a percentage of the total pension liability	86.50%

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

Schedule of Agency Contributions

	Year Ended December 31, 2015
Contractually required contribution	\$ 1,892,611
Contributions in relation to the contractually required contribution	<u>(1,892,611)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Agency's covered-employee payroll	\$ 13,518,647
Contributions as a percentage of covered employee payroll	14.0%

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

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TOLEDO AREA
REGIONAL
TRANSIT
AUTHORITY



Year Ended
December 31,
2015

Single Audit Act
Compliance

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TOLEDO AREA REGIONAL TRANSIT AUTHORITY

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

June 30, 2016

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited the financial statements of *Toledo Area Regional Transit Authority* (the "Authority") as of and for the year ended December 31, 2015, and have issued our report thereon dated June 30, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Rehmann Robson LLC

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Transportation				
Federal Transit Administration (FTA)				
Federal Transit Cluster:				
Capital Investment Grants	20.500	Direct	OH-04-0062	\$ 888,199
Capital Investment Grants	20.500	Direct	OH-96-X076	63,430
				<u>951,629</u>
Formula Grants	20.507	Direct	OH-90-0426	75,363
Formula Grants	20.507	Direct	OH-90-X609	351,586
Formula Grants	20.507	Direct	OH-90-X670	34,800
Formula Grants	20.507	Direct	OH-90-X690	180,880
Formula Grants	20.507	Direct	OH-90-X730	15,847
Formula Grants	20.507	Direct	OH-90-X766	2,936
Formula Grants	20.507	Direct	OH-90-X769	500,000
Formula Grants	20.507	Direct	OH-90-X791	818,456
Formula Grants	20.507	Direct	OH-90-X808	18,067
Formula Grants	20.507	Direct	OH-90-X836	4,675,530
Formula Grants	20.507	Direct	OH-95-X012	284,623
Formula Grants	20.507	Direct	OH-95-X119	1,418,627
Formula Grants	20.507	Direct	OH-95-X177	140,000
Formula Grants	20.507	ODOT	OH-95-X201	638,309
Total Federal Transit Cluster				<u>10,106,653</u>
Transit Services Program Cluster:				
New Freedom Program	20.521	Direct	OH-57-X009	42,419
New Freedom Program	20.521	Direct	OH-57-X024	22,744
New Freedom Program	20.521	Direct	OH-57-X042	1,665
New Freedom Program	20.521	Direct	OH-57-X053	37,897
				<u>104,725</u>
Job Access Reverse Commute	20.516	Direct	OH-37-X047	83,201
Job Access Reverse Commute	20.516	Direct	OH-37-X061	38,304
				<u>121,505</u>
Total Transit Services Program Cluster				<u>226,230</u>
Total Expenditures of Federal Awards				<u><u>\$ 10,332,883</u></u>

See notes to schedule of expenditures of federal awards.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Toledo Area Regional Transit Authority (the "Authority") under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
----------------------------------	--------------------------

ODOT Ohio Department of Transportation



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

June 30, 2016

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *Toledo Area Regional Transit Authority* (the "Authority"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

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

June 30, 2016

Board of Trustees
Toledo Area Regional Transit Authority
Toledo, Ohio

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Toledo Area Regional Transit Authority* (the "Authority") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2015. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

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

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

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
20.500 and 20.507	Federal Transit Cluster	Unmodified

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

Auditee qualified as low-risk auditee? X yes no

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 - Grant Accounting

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed adjustments (which were posted by management) to adjust the Authority's accounting records. The Authority records non-capital federal revenue and expenses through one account, which ends up netting the activity. As part of the audit, an adjustment was made to gross up revenue and expense on the statement of revenues, expenses and net position. Also, to track local share, the Authority maintains internal receivable and payable accounts. As part of the audit, an adjustment was made to eliminate the internal accounts. In addition, management identified and posted many smaller adjustments throughout the audit process.

Cause. The Authority uses various grant accounts to track the local share piece for grant reporting purposes. The Authority doesn't adjust this activity for financial reporting purposes consistent with generally accepted accounting principles.

Effect. The revenues and expenses were understated and needed to be grossed up. Additionally, the internal receivable and related payable were overstated and needed to be eliminated. The net impact of the adjustments to net position was zero.

Recommendation. We recommend that the Authority review their processes for recording grant activity to ensure proper recording of revenue and expense and to eliminate internal accounts at year end.

View of Responsible Officials. Management will review the process for recording grant revenue and expenses and ensure at year end that the balances are properly reflected for financial statement purposes. Additionally, management will make an entry at year end to eliminate any internal payables and receivables.

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-002 - Written Policies Required by the Uniform Grant Guidance

Finding Type. Immaterial Noncompliance (Allowable Costs/Cost Principles and Cash Management).

Programs. Federal Transit Cluster; U.S. Department of Transportation; CFDA Numbers 20.500 and 20.507

Criteria. The Uniform Grant Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time elapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302 (6)); and 2) Procurement (including a conflict of interest policy) (§200.319 (7)); 3) Allowability of costs charged to federal programs (§200.302 (7)); 4) Compensation (§200.430); and 5) Travel costs (§200.474).

Condition. Although the Authority has processes in place to cover these areas, there are no formal written policies for payments, compensation and travel costs.

Cause. This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect. As a result of this condition, the Authority did not fully comply with the Uniform Grant Guidance applicable to the above noted grant.

Questioned Costs. No costs were required to be questioned as a result of this finding inasmuch as our testing revealed any unallowed costs or excess cash draws.

Recommendation. We are aware that the Authority is evaluating options using internal and external resources to take corrective action. We recommend that the Authority proceed with its selected option as soon as practical, but no later than the end of fiscal year 2016.

View of Responsible Officials. Management agrees with the proposed recommendation of the auditors and is in the process of implementing policies for full compliance of the Uniform Grant Guidance.



TOLEDO AREA REGIONAL TRANSIT AUTHORITY

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2015

Finding 2014-001 - Schedule of Expenditures of Federal Awards

Although an initial Schedule of Expenditures of Federal Awards was prepared in a timely manner, several adjustments were made to the schedule during the Authority's annual Single Audit. This matter was resolved in 2015.

■ ■ ■ ■ ■



Dave Yost • Auditor of State

TOLEDO AREA REGIONAL TRANSIT AUTHORITY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 8, 2016**