PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

PORTAGE COUNTY

Single Audit

For the Year Ended December 31, 2022

Charles E. Harris & Associates, Inc.
CPAs and Government Consultants

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
Portage Area Regional Transportation Authority
2000 Summit Road
Kent, Ohio 44240

We have reviewed the *Independent Auditor's Report* of Portage Area Regional Transportation Authority, Portage County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2022 through December 31, 2022. 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. Portage Area Regional Transportation Authority is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

August 04, 2023

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PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
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Single Audit
DECEMBER 31, 2022

TABLE OF CONTENTS

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Portage Area Regional Transportation Authority
Portage County
2000 Summit Road
Kent, Ohio 44240-7140

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2022, and the changes in financial position and its cash flows thereof 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 Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and other post-employment benefit assets/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 Authority's basic financial statements.

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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*, and is not a required part of the basic financial statements.

The Schedule 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. Such 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 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 June 19, 2023, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
June 19, 2023

As management of the Portage Area Regional Transportation Authority (the Authority), we offer readers of the Authority's basic financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2022. This discussion and analysis report is designed to assist the reader in focusing on 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.

Overview of Financial Highlights

- The Authority has a total net position of $40.3 million. This net position results from the difference between total assets and deferred outflows of $48.6 million and total liabilities and deferred inflows of $8.3 million.
- Current assets of $12.4 million consist of non-restricted Cash and Cash Equivalents of $9.3 million, Receivables of $2.6 million, other prepaid assets of $.2 million and Inventory of $.3 million.
- Non-current assets consist of restricted assets of $6.3 million for the special deposits for the matching funds of certain capital projects, and Net Other Post Employment Benefits (OPEB) Asset, as required to be reported by the Governmental Accounting Standards Board (GASB) Statement 75, in the amount of $.9 million.
- Assets also include Capital Assets (net of accumulated depreciation) in the amount of $27.9 million.
- Deferred Outflows related to pension, as required to be reported by GASB Statement 68, equal $1.1 million. Deferred Outflows related to OPEB, as required to be reported by GASB Statement 75, equal $0. This was reported as $269,235 in FY2021.
- Current liabilities of $.7 million consist of Payables of $.4 million and accrued expenses and unearned revenue of $.3 million.
- Noncurrent liabilities of $2.7 million consist of Accrued Compensated Absences of $.2 million and Net Pension Liability of $2.5 million.
- Deferred Inflows related to pension, as required to be reported by GASB Statement 68, equal $3.4 million. Deferred Inflows related to OPEB, as required to be reported by GASB Statement 75, equal $1.0 million. Deferred Inflows related to capital leases, as required to be reported by GASB Statement 87, equal $.4 million.

Basic Financial Statements and Presentation

This annual report includes the basic financial statements and accompanying notes prepared in accordance with the provisions of GASB Statement No. 34 (as amended), <u>Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments</u>.

The financial statements presented by the Authority are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes 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 Authority 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 Authority's assets, deferred outflows, liabilities, and deferred inflows with the difference between these 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 Authority is improving or deteriorating. Net position increases when revenues exceed expenses. Increases in assets and deferred outflows without a corresponding increase to liabilities and deferred inflows result in an increased net position, which indicates improved financial position.

Financial Analysis of the Authority

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority'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 Authority'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 financing activities, and 4) Cash flows from investing activities.

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

During FY2015, the Authority adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions," and in FY2018 adopted GASB Statement 75, "Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions." These statements significantly revised accounting for pension and OPEB costs and liabilities. Users of this financial statement will gain a clearer understanding of the Authority's actual financial condition by adding deferred inflows related to pension and OPEB and the net pension and OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

During FY2022, the Authority adopted GASB Statement 87, "Accounting and Financial Reporting for Leases." The only capital leases that the Authority has are related to retail revenue leases at the Kent Central Gateway.

The Authority is reporting a net pension liability, a net OPEB asset, and deferred inflows/outflows of resources related to pension and OPEB on the accrual basis of accounting in the statement of net position.

Condensed Summary of Net Position

	2022	2021
Unrestricted Assets	$ 12,473,184	$ 10,096,545
Restricted Assets	6,268,830	6,079,620
Capital Assets, Net	27,876,595	28,585,008
OPEB Asset, Net	905,631	546,696
Deferred Outflows - Pension & OPEB	1,128,908	858,075
Total Assets & Deferred Outflows	$ 48,653,148	$ 46,165,944
Current Liabilities	$ 719,653	$ 657,984
Noncurrent Liabilities	2,756,263	4,782,699
Deferred Inflows – Pension, OPEB, & Capital Leases	4,827,958	4,195,100
Total Liabilities & Deferred Inflows	$ 8,303,874	$ 9,635,783
Investment in Capital Assets	$ 27,876,595	$ 28,585,008
Restricted for Capital Assets	6,268,830	6,079,620
Unrestricted Net Position	6,203,849	1,865,533
Total Net Position	$ 40,349,274	$ 36,530,161

Financial Analysis of the Authority (Continued)

A large portion of the Authority's net position reflects investment in capital assets consisting of buses, operating facilities, and equipment. The Authority uses these capital assets to provide public transportation services for people traveling in Portage County. The Authority's largest asset is the Kent Central Gateway (KCG) Multimodal facility located in downtown Kent, Ohio. These assets are not available to liquidate liabilities or to cover other spending.

As a result of implementing the accounting standard for pensions, GASB Statement 68, and OPEB, GASB Statement 75, the Authority is reporting a significant net pension liability and related deferred inflows of resources for the fiscal year, which have a negative effect on net position. In addition, the Authority is reporting a net OPEB asset, deferred outflows of resources, and a decrease in expenses related to pension and OPEB, which have a positive impact on net position. The change in pension and OPEB expense is the difference between the contractually required contributions and the pension and OPEB expense resulting from the change in the liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these accounting standards on the Authority's net position, additional information is presented below.

	2022	2021
Deferred Outflows – Pension	$ 1,128,908	$ 588,840
Deferred Outflows – OPEB	0	269,235
Deferred Inflows – Pension	(3,364,268)	(2,304,246)
Deferred Inflows – OPEB	(1,028,760)	(1,890,854)
Net Pension Liability	(2,521,464)	(4,568,065)
Net OPEB Asset (Liability)	905,631	546,696
Impact of GASB 68 & GASB 75 on Net Position	$ (4,879,953)	$ (7,358,394)
Net Expense Impact	$ 2,478,441	$ 4,300,437

For FY2022, the net expense impact of GASB 68 and 75 was $2,478,441. This was from reporting the decrease in the Authority's proportionate share of the pension and other post employment benefit liability of the Ohio Public Employee Retirement System Board. This adjustment was a negative expense, which decreased expenses.

Condensed Summary of Revenues, Expenses, and Changes in Fund Net Position

	2022	2021
Revenues		
Operating Revenues	$ 2,865,505	$ 2,390,232
Non-Operating Revenues	9,891,359	12,549,245
Total Revenues	12,756,864	14,939,477
Expenses		
Operating Expenses (less depreciation)	7,404,252	4,840,477
Depreciation Expense	3,538,289	3,054,950
Total Expenses	10,942,541	7,895,427
Net Income (Loss) Before Capital Contributions	1,814,323	7,044,050
Capital Contributions	2,004,790	3,299,713
Change in Net Position	3,819,113	10,343,763
Net Position, Beginning of Year	36,530,161	26,186,398
Net Position, End of Year	$ 40,349,274	$ 36,530,161

Financial Analysis of the Authority (Continued)

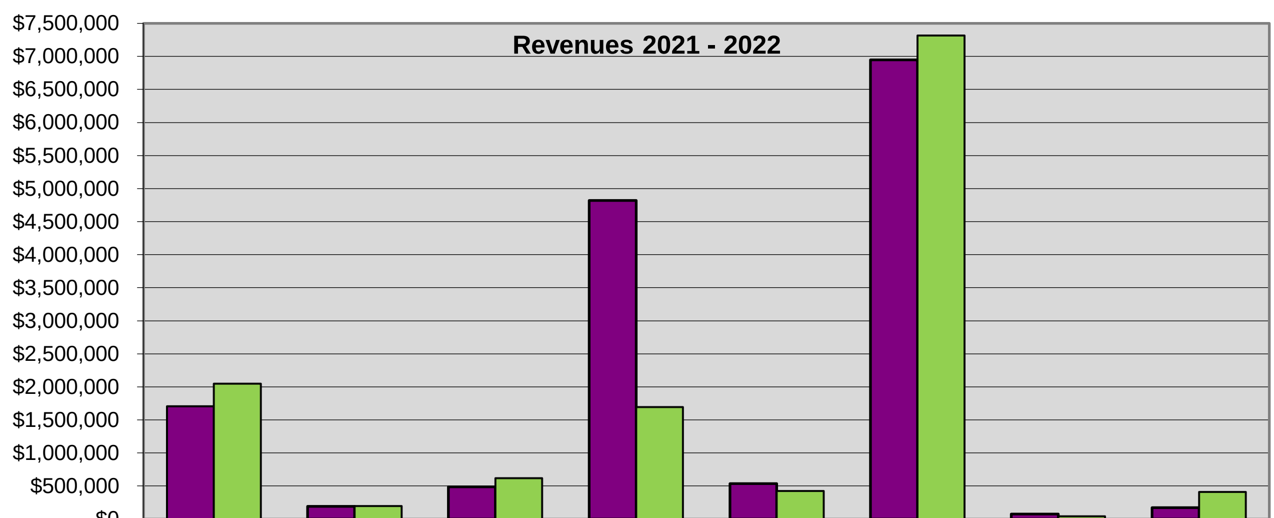
The Authority's operating revenues started to slowly increase in FY2022 following the COVID-19 world pandemic. During the pandemic, the Authority continued service at a reduced level. The demand for transportation is increasing, but it has been difficult to restart routes due to a shortage of bus drivers. Operating revenues increased by $475,273 to $2,865,505 in FY2022. This is primarily due to Contract Services, which will be discussed later in the revenue section of this report. This represents a 19.9% increase from FY2021 to FY2022, which is drastically different from the 32.8% decrease from FY2019 to FY2020.

The Authority's non-operating revenues decreased in FY2022 due to a decrease in federal and state operating assistance. The prior year increased through temporary funding sources: the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSSA) and the Ohio Rides for Community Immunity. Also in this section were notable increases in the interest income and sales tax revenue categories from FY2021 to FY2022. Further information is discussed later in the revenue section of this report.

The operating expenses for transit, excluding depreciation and OPERS Pension Expense increased by $651,569, equaling $9.3 million in FY2022. There was an increase in expenses in Services and Materials & Supplies due to the after-effects of COVID-19 and an increase in Labor & Fringe Benefits due to employee hiring and retention efforts. There was a significant change in OPERS Pension Expense. The pension expense for FY2021 was $(4,300,437); The pension expense for FY2022 was $(2,478,441), which decreased 42.4% due to OPERS updated estimates. The Authority's overall multimodal operating expenses increased by $90,468 to $633,081 in FY2022. This was a 17.1% increase due to personnel changes and retention efforts.

The Authority's Capital Contributions decreased in FY2022 from $3.3 million to $2.0 million. In FY2022, the Authority received Capital Investment Grants from the Ohio Transit Partnership Program (OTPP), Bus & Bus Facilities Program (Section 5339(b)), Enhanced Mobility of Seniors & Individuals with Disabilities Program (Section 5310), and Urbanized Area Formula Programs (Sections 5307 and 5339(a)) for the following projects: Bus Storage Facility and replacement transit and paratransit vehicles. The Authority's annual federal formula allocation is approximately $2.0 million, which consists of Capital Contributions and Capitalized Maintenance of the Authority's Capital Assets. The amount of Capital Contribution depends on the timing and payment of capital projects.

Revenues:



	Contract Services	Passenger Fares for Transit	Multimodal Parking Fees	Federal Grants	State Grants	Sales Tax	Sale of Capital Assets	Other
2021	$1,706,516	$194,017	$489,699	$4,819,984	$534,850	$6,947,056	$76,199	$171,156
2022	$2,047,733	$197,935	$619,837	$1,695,426	$424,754	$7,317,803	$42,159	$411,217

Financial Analysis of the Authority (Continued)

For purposes of this presentation, the Authority groups its revenues into the following categories:

Contract Services – This category includes service contracts with entities to provide transportation services in Portage County in conjunction with the transportation to the general public. These revenues decreased $155,748, or 8.4%, from FY2020 to FY2021 primarily due to the COVID-19 world pandemic. Kent State University (KSU) is the Authority's largest contract. Beginning in April 2020, they switched to virtual classes, which affected the bus routes around the university. Although most of the classes returned to the classroom in FY2021, this service still has not completely returned due to a shortage of bus drivers. The county routes were also reduced in FY2020 due to less demand from the Governor's Stay at Home Order and have been slow to increase due to a shortage of county bus drivers. Prior to FY2020, these revenues stayed relatively constant. From FY2021 to FY2022, these revenues increased $341,217, or 20%, primarily due to the increase in the KSU transportation services.

Passenger Fares – General public farebox fares and ticket sales are included in this line item. Ticket sale revenues are realized at the time of purchase and do not directly correlate with passenger trips. This category increased $22,739, or 13.3%, in FY2021 due to increased travel as the pandemic slowed down. In FY2022, this category increased again by 2% to $197,935.

Multimodal Parking Fees –This category includes parking fees associated with KCG 3-floor parking garage with 348 parking spaces. These revenues increased $172,348, or 54.3%, from FY2020 to FY2021 after drastically decreasing during the pandemic. These revenues significantly increased by $130,138, or 26.6%, from FY2021 to FY2022. Although parking continues to increase, it has not returned to the FY2019 level.

Federal Grants and Reimbursements – The Authority receives approximately $2.0 million each year from the Federal Sections 5307 and 5339 formula grant programs. In FY2021, the Authority used $1 million in formula grant funds for capitalized maintenance of its vehicles and facilities and $50,000 to reimburse wages for mobility management tasks. In addition, the Authority received federal funds for eligible operating expenses in the amount of $3,767,454 from the CRRSAA. In FY2022, the Authority again used $1 million in formula grant funds for capitalized maintenance of its vehicles and facilities. In addition, the Authority was awarded federal funds for eligible operating expenses in the amount of $5,140,782 from the American Rescue Plan Act (ARPA). In FY2022, $659,171 was drawn down from ARPA to reimburse the Authority for part of the county bus operator wages. This grant revenue will be spread out over the next several years.

State Grants, Reimbursements, and Special Fare Assistance – The Ohio Department of Transportation allocates grants for elderly and disabled programs, of which the Authority received $139,400 in FY2021 and in FY2022. The Authority also receives grant funds for reimbursement of capitalized maintenance costs, of which the Authority received $222,398 in FY2021 and $216,203 in FY2022, a 2.8% decrease. This category also includes reimbursement for diesel and gasoline state fuel taxes paid by the Authority. In FY2022 this revenue decreased $6,456, or 8.5%, partly due to the increase in vehicles using Compressed Natural Gas (CNG) fuel.

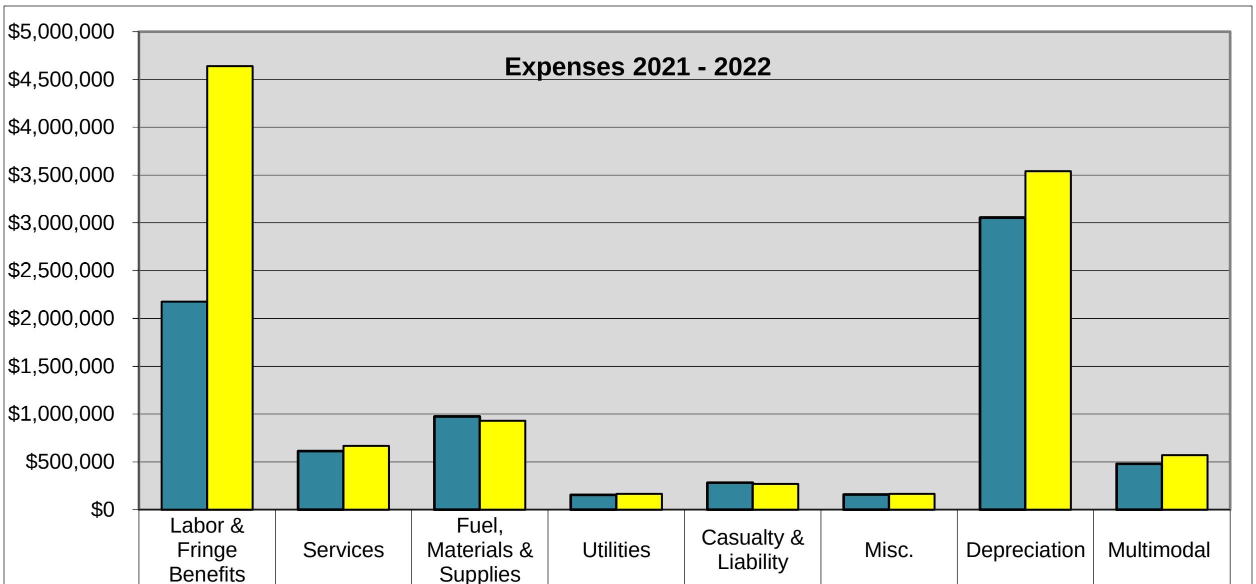
Sales Tax Revenues – .25 mills is levied against Portage County sales tax. In FY2005, the Authority renewed the levy to be permanent. In FY2021, Sales Tax Revenues generated $6,947,056, or 48.3% of the Authority's revenue for transit operations (excluding capital contributions). These revenues increased $953,258, or 15.9%, from FY2020 to FY2021. In FY2022, Sales Tax Revenues generated $7,317,803, or 60.8% of the Authority's revenue for transit operations (excluding capital contributions). These revenues increased $370,747, or 5.3%, from FY2021 to FY2022.

Sale of Capital Assets – This category consists of assets competitively sold after they have reached their useful lives and have been replaced. In FY2021, the Authority sold or scrapped 13 buses totaling $76,199. These fully depreciated items had a gross value of $1,446,180. In FY2022, the Authority sold or scrapped 10 buses, which had a net gain of $42,159. These fully depreciated items had a gross value of $1,423. Seven (7) of these vehicles had a residual market value greater than $5,000, and the federal share of $13,142 was returned to the Federal Transit Administration.

Financial Analysis of the Authority (Continued)

<u>Other Income</u> – This category summarizes miscellaneous income and revenue from various sources such as bus advertising, interest, rebates, recycling, sale of memorial bricks, alternative fuel sales for public vehicles, and 3rd-party maintenance service. This category decreased from FY2020 to FY2021; the change was $308,083, or 64.3%, due to the BWC revenue received in FY2020. This category increased from FY2021 to FY2022; the change was $240,061, or 140.3%, primarily due to the increase in interest income. This increase was largely a result of the additional COVID-19 federal funds received over the past few years, thus allowing the Authority to save the local funds usually used to pay those operating expenses. In conjunction with larger bank balances, the interest rates have also increased, contributing a greater impact to this category.

Expenses:



	Labor & Fringe Benefits	Services	Fuel, Materials & Supplies	Utilities	Casualty & Liability	Misc.	Depreciation	Multimodal
2021	$2,176,802	$611,624	$975,148	$154,904	$282,858	$158,144	$3,054,950	$480,997
2022	$4,640,358	$665,809	$930,096	$165,822	$267,404	$163,556	$3,538,289	$571,207

Expenses: Transit

For purposes of this presentation, the Authority groups its transit expenses into the following categories: Labor & Fringe Benefits; Services; Fuel, Materials & Supplies, Utilities; Miscellaneous; Depreciation; and Multimodal. Overall, these expenses increased $2,954,646, or 40.2%, from FY2021 to FY2022, most of which can be contributed to OPERS pension expense, explained in the next paragraph. If you deduct the pension expense from the total operating expenses, the total expense in FY2021 was $8,659,917; and in FY2022, it was $9,311,486, a difference of $651,569. The difference is due to Labor & Fringe Benefits.

<u>Labor & Fringe Benefits</u> – This category includes direct labor and fringe benefits paid to the employees, and pension expense recognized by OPERS as a result of GASB Statement 68 and GASB Statement 75. In FY2021, the direct personnel wages and fringe amounted to $6,477,239. In FY2022, the direct personnel wages and fringe increased $641,560, or 9.9%, to $7,118,799. As previously stated, this was due to strategic hiring and retention initiatives resulting from a shortage of employees.

In FY2021, the non-cash OPERS pension expense was estimated at $(4,300,437); and in FY2022, an estimate of $(2,478,441) was reported. This large variance is due to the calculations by OPERS of the difference between the estimated and actual pension costs. This is not a direct expense to the Authority due to the way that the State of Ohio manages its pensions for public employees; however, it is required to be incorporated into the Authority's financial statements.

Financial Analysis of the Authority (Continued)

Services – These expenses are associated with work performed by outside consultants such as advertising, legal fees, maintenance, training, employee background checks, and drug testing. The services category accounted for approximately 7.2% of all the Authority's transit operating expenses (excluding depreciation and pension expense) in FY2022. These expenses increased $54,185, or 8.9%, from FY2021 to FY2022. In FY2022, the Authority continued to experience price increases from almost all its vendors due to the pandemic.

Fuel, & Materials & Supplies – This category accounts for approximately 10.0% of all the Authority transit operating expenses (excluding depreciation and pension expense). The Authority has experienced price increases from almost all its parts vendors due to the pandemic, as well as parts not being available. These costs increased $30,478, or 3.2%, from FY2020 to FY2021; however, decreased $45,052, or 4.6%, from FY2021 to FY2022. The largest expense in this category is fuel. The Authority participates each year in a joint procurement for diesel and gasoline fuel with other regional transit authorities to leverage buying power and manage these expenses. In FY2020, the cost per gallon of diesel fuel was $2.0262; for FY2021, a contract was awarded to a new vendor for a fixed price of $1.5427 per gallon of diesel fuel. This was a decrease of 23.9%. If this price had not been locked in, there would have been a significant increase in the cost of fuel due to local fuel increases. The contract for diesel fuel for FY2022 was awarded at $2.2969 per gallon with the same vendor as FY2021. This was a 48.9% increase. Similar to FY2020, the use of additional gasoline and CNG fueled vehicles has helped to keep the expenses in this category from significantly increasing. The Authority has its own maintenance department and the parts purchased to fix the vehicles are in this category.

Utilities – These expenses include public utilities (i.e., gas, electricity, phone, sewer, water), as well as satellite and cell phone. The utility expenses increased $10,918, or 7.0%, from FY2021 to FY2022. This was primarily due to inflation and economic conditions throughout the utility industries.

Casualty and Liability Insurance – The Authority belongs to a risk pool of 15 transit agencies and premiums are based on an annual actuarial study and allocation done by the Ohio Transit Risk Pool (OTRP). This category includes the premiums, as well as any claim deductibles, and decreased $15,454, or 5.4%, from FY2021 to FY2022. Any claims are proportionately shared among the members of the pool; historically, OTRP has remained a stable expense. This category accounts for approximately 2.9% of all the Authority transit operating expenses (excluding depreciation and pension expense).

Miscellaneous – This category includes advertising, dues & subscriptions, travel & meetings, and other miscellaneous expenses. These expenses increased $24,003, or 17.9%, from FY2020 to FY2021 as a result of normal business functions returning as the pandemic slowed down. These expenses slightly increased $5,412, or 3.4%, from FY2021 to FY2022 due to the increase in the sales tax administrative fee expense.

Depreciation – This category includes depreciation on all capital assets, except land and construction-in-process. These expenses are calculated using the straight-line method. This expense increased $481,081, or 16.1%, from FY2021 to FY2022 as a result of the increase in capital assets.

Expenses: Multimodal

Multimodal –The Authority owns and operates KCG, which consists of a bus transfer facility with 10 bus bays, an indoor waiting area, and a 3-floor parking garage with 348 parking spaces. The expenses include Labor & Fringe Benefits; Services; Fuel, Materials & Supplies; Utilities; Miscellaneous; and Depreciation. Overall, these expenses increased $92,468, or 17.1%, from FY2021 to FY2022 primarily due to the decrease in Labor & Fringe Benefits.

Labor & Fringe Benefits – These expenses decreased $30,730, or 8.9%, from FY2020 to FY2021 due to the pandemic and a shortage of employees. Also due to cash flow concerns resulting from the pandemic, the maintenance foreman's time was allocated 100% to transit instead of the 50% split between the transit facility and the multimodal facility. These expenses accounted for approximately 65.5% of all the Authority's multimodal operating expenses (excluding depreciation) in FY2021. These expenses increased $79,061, or 25.1%, from FY2021 to FY2022 due to personnel changes and retention initiatives resulting from the regional

Financial Analysis of the Authority (Continued)

hiring struggles. The maintenance foreman's allocation of time returned to the normal 50% split between the transit facility and the multimodal facility. These expenses accounted for approximately 69.0% of all the Authority's multimodal operating expenses (excluding depreciation) in FY2022.

Services – These expenses are associated with work performed by outside consultants, including security and contract maintenance, and accounted for approximately 16.0% of all the Authority's multimodal operating expenses (excluding depreciation) in FY2021. These expenses increased $13,164, or 20.7%, from FY2020 to FY2021 equaling $76,845 due to the increased hours and associated expenses related to contracted security. These expenses slightly decreased by $913, or 1.2%, from FY2021 to FY2022 equaling $75,932. At the end of FY2022, the expenses related to contracted security changed again by removing the outside contract and performing these services by the Authority's employees. These expenses accounted for approximately 13.3% of all the Authority's multimodal operating expenses (excluding depreciation) in FY2022.

Materials & Supplies – These expenses are associated with supplies for parking (i.e., tickets, monthly hangtags), as well as supplies to maintain the facility, and accounted for approximately 4.1% of all the Authority's multimodal operating expenses (excluding depreciation) in FY2021. These expenses increased by $6,601, or 49.7%, from FY2020 to FY2021 due to price increases from almost all of its supplies vendors as a result of the pandemic. These expenses increased again by $1,854, or 9.3%, from FY2021 to FY2022 due to price increases from almost all of its supplies vendors as a result of the pandemic.

Utilities – These expenses include public utilities (i.e., gas, electricity, phone, sewer, water) and accounted for approximately 12.0% of all the Authority's multimodal operating expenses (excluding depreciation) in FY2021 and FY2022. The utility expenses increased $2,953, or 5.4 %, from FY2020 to FY2021 equaling $57,862. The utility expenses increased $10,552, or 18.2 %, from FY2021 to FY2022 equaling $68,414. This was primarily due to inflation and economic conditions throughout the utility industries.

Miscellaneous – This category includes advertising and other miscellaneous expenses and accounted for approximately 1.9% of all the Authority's multimodal operating expenses (excluding depreciation) in FY2022. These expenses decreased in the amount of $4,296, or 27.6%, from FY2020 to FY2021. They decreased again in the amount of $344, or 3.0%, from FY2021 to FY2022 primarily due to less advertising.

Depreciation – This category includes depreciation on all capital assets associated with KCG (excluding the land). There were no capital acquisitions in FY2021. In FY2022, $11,288 was spent to upgrade the servers that control the heat pumps. The overall depreciation expense increased $2,258, or 3.8%, from FY2021 to FY2022.

Expenses: By Function

The Authority also categorizes expenses by function as defined by the National Transit Database. These categories are Operations, Maintenance, General Administration, and Multimodal, and are defined below.

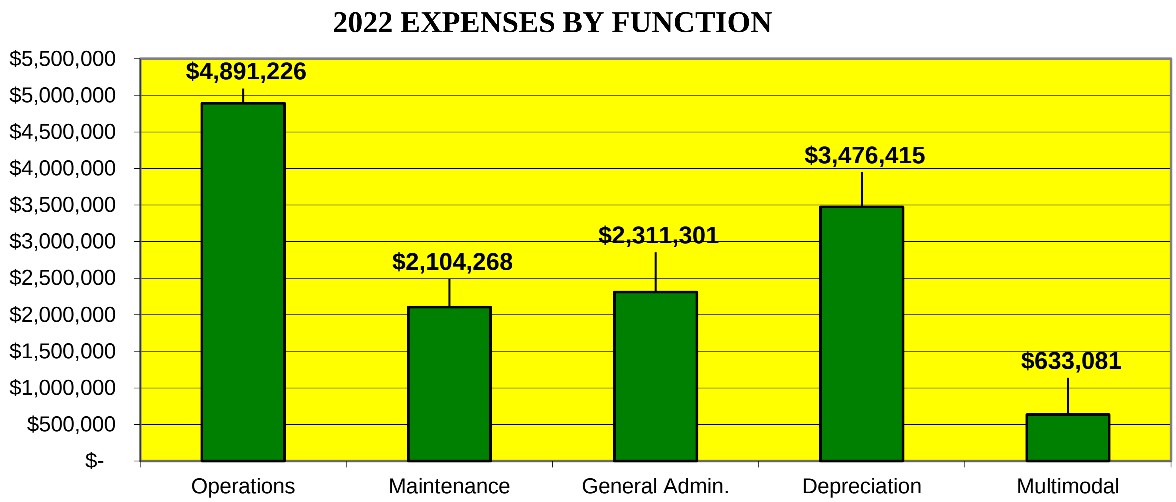
Operations – These are expenses directly related to dispatching and running vehicles in revenue service to carry passengers, including administrative and clerical support. Included are wages and fringe benefits of operators, dispatchers, customer service, as well as bus fuel and operations costs. These expenses increased $630,657, or 14.8%, from FY2021 to FY2022 primarily due to wages, benefits, and revenue vehicle fuel.

Maintenance – The expenses included in this category are associated with ensuring vehicles and facilities are operable, cleaned, fueled, inspected, and repaired. Included are maintenance labor costs, fringe benefits, and materials and supplies. These expenses increased $152,869, or 7.8%, from FY2021 to FY2022 primarily due to wages, benefits as well as contracted maintenance.

Financial Analysis of the Authority (Continued)

General Administration – The expenses included in this category are administrative personnel labor and fringe benefits, insurance, professional services, advertising, and office supplies. These expenses stayed relatively constant and increased $18,577, or 0.8%, from FY2021 to FY2022. Although materials and supplies and utilities increased, there were some personnel changes, which decreased labor and fringe expenses.

Multimodal – The expenses included in this category are associated with operating KCG. This category is not broken out by function and includes all related expenses.



Condensed Summary of Cash Flows

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash used in operating activities	$ (6,931,456)	$ (7,369,513)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net cash provided by non-capital financing activities	9,517,961	12,315,963
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Net cash used in capital financing activities	(782,927)	(70,389)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by investing activities	217,218	6,729
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,020,796	4,882,790
CASH AND CASH EQUIVALENTS, BEG. OF YEAR	13,605,142	8,722,352
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 15,625,938	$ 13,605,142

Net cash used in Operating Activities decreased overall $438,057, or 5.9%, from FY2021 to FY2022 to $6,931,456. However, cash for operating activities increased and decreased depending on the category. Cash received from customers increased $456,146, or 19.3%, due to the KSU service previously discussed. Cash paid to employees increased $649,168, or 9.5%, due to hiring and retention initiatives. Cash payments to suppliers for goods and services decreased $631,079, or 21.5%, as a result of a large FY2020 expense reported in accounts payable that was paid in 2021.

Financial Analysis of the Authority (Continued)

Net cash provided by Noncapital Financing Activities slightly decreased $48,015, or .4%, from FY2020 to FY2021. Sales Tax received increased $990,127, or 16.9%, from FY2020 to FY2021. The Authority received federal operating grant funds in the amount of $3,767,454 from CRRSAA. This was slightly less than FY2020 when the Authority received federal operating grant funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Net cash provided by Noncapital Financing Activities had an overall decrease of $2,798,002, or 22.7%, from FY2021 to FY2022. Cash from sales tax received increased $299,080, or 4.4%, from FY2021 to FY2022. Cash from operating grants received decreased in the amount of $3,126,654, or 59.0%, from FY2021 to FY2022. The Authority was awarded federal funds for eligible operating expenses in the amount of $5,140,782 from ARPA. In FY2022, only $659,171 was drawn down from ARPA to spread the funds over the next several years, which caused a decrease in this category.

Net cash used in Capital Financing Activities overall decreased $836,189, or 92.2%, from FY2020 to FY2021. Capital grants received decreased $168,558, or 4.9%, and Acquisition of Capital Assets decreased $ 957,175, or 21.7%, from FY2020 to FY2021. Net cash used in Capital Financing Activities overall decreased $712,538, or 1012.3%, from FY2021 to FY2022. Capital grants received decreased $1,294,923, or 39.2%, and Acquisition of Capital Assets decreased $616,425, or 17.9%, from FY2021 to FY2022. As stated previously in this report, in FY2022, the Authority received grant funds from OTPP, Bus & Bus Facilities Program (Section 5339(b)) program, and Urbanized Area Formula Programs (Sections 5307 and 5339(a)) for several capital projects. The Authority's annual federal formula allocation is approximately $2.0 million, which consists of Capital Contributions and Capitalized Maintenance of the Authority's Capital Assets. The amount of Capital Contribution depends on the award of competitive grant applications, timing, and payment of grant eligible expenses.

Net cash provided by Investing Activities decreased overall by $9,393, totaling $6,729, from FY2020 to FY2021 due to the low interest rates and current bank balances. Net cash provided by Investing Activities significantly increased overall by $210,489, totaling $217,218, from FY2021 to FY2022 due to the rising interest rates and current bank balances.

The End of Year Cash & Cash Equivalents increased to $15,625,938, or 14.9%, because of receiving more cash from noncapital financing activities than used in operating activities, which is described above.

Capital Assets

Capital assets include land and land improvements, buildings and structures, transportation vehicles, service & shop equipment, computer equipment, KCG parking equipment, and miscellaneous. As of December 31, 2021, the Authority's investment in capital assets was approximately $28.6 million, net of accumulated depreciation, which was an increase of $391,351, or 1%, from FY2020 to FY2021. The Authority disposed of capital equipment in FY2021, which had reached its useful life, and had a gross value of $1,686,627, but a book value of $0. As of December 31, 2022, capital assets were approximately $27.9 million, net of accumulated depreciation, which was a decrease of $708,413, or 2%, from FY2021 to FY2022. The Authority disposed of capital equipment in FY2022, which had reached its useful life, and had a gross value of $3,260,302, but a book value of $0.

In FY2021, the Authority received Capital Investment Grant funds from the OTPP, 5339(b), and 5310 for the following projects: 8 replacement light transit vehicles in the amount of $742,360; 4 replacement diesel-fueled transit vehicles in the amount of $2,011,080; engineering and design for 2 capital projects in the amount of $88,663; construction of a concrete CDL driver training pad in the amount of $490,129; and upgraded the administrative office phone system for $11,593. In FY2022, the Authority received Capital Investment Grant funds from the OTPP, Congestion Mitigation & Air Quality (CAMQ) Program, 5339(b), 5310, 5307 and 5339(a) for the following projects: 3 replacement CNG-fueled trolleys in the amount of $1,864,309; 5 replacement light transit vehicles in the amount of $497,508, and scheduling and routing hardware and software in the amount of $172,343. In addition, in FY2020, the Authority utilized a competitively awarded Section 5339(b) Bus & Bus Facilities grant to construct a new bus storage facility with an upgraded camera system in the amount of $3.4

Financial Analysis of the Authority (Continued)

million. This facility was completed and came in under budget. Therefore, in FY2021 the Authority bid out and awarded a contract to construct a mezzanine in the new storage facility, which included 2 workout rooms and a room for secure record retention documents. This project was completed in FY2022, and there were still unused funds remaining in the grant. In FY2023, the Authority plans to use the remaining federal funds to construct a covered walkway from the main facility to the new storage facility.

Future Outlook

In 2005, the passage of a permanent .25% sales & use tax in Portage County provided a continuing funding source to stabilize the Authority's financial future. With the expected unpredictability of federal and state grant funding, and the continuously rising costs for labor, fuel, and insurance, the Authority is continually evaluating their current transportation services to ensure that they are resilient, relevant, and sustainable for many years to come. The award of the TIGER grant in FY2009, to construct the Kent Central Gateway Multimodal Transit Facility, was the catalyst for an accessible downtown Kent experience. Creating a transit-oriented, walkable, vibrant downtown continues to provide economic development and increased livability of the area for residents and students. The Kent Central Gateway includes 10 transit bus bays, 3 floors of public parking, bicycle amenities, and retail or office space along Erie Street.

The continued goal of the Authority will be to improve the efficiency and on-time performance of our service to meet the needs of those who need it the most. In addition, private developers, Kent State University, and the City of Kent have partnered with the Authority to collaborate on the revitalization of Route 59 in Kent and Franklin Township.

Although there is concern related to the after-effects of the COVID-19 world pandemic, specifically the scarcity and rising costs of resources, the Authority's future outlook is good due to the economic development throughout Portage County.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for those with an interest in its finances. Questions concerning any of the information in this report or request for additional financial information should be addressed to the Director of Finance, Portage Area Regional Transportation Authority, 2000 Summit Rd., Kent, OH 44240.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF NET POSITION
December 31, 2022

ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	$	9,357,108
Receivables:		
Accounts		267,062
Accrued Sales Tax		1,915,571
Leases		434,930
Pre-Paid Expenses		201,193
Materials & Supplies Inventory		297,320
TOTAL UNRESTRICTED ASSETS		12,473,184
TOTAL CURRENT ASSETS		12,473,184
RESTRICTED ASSETS		
Special Deposit - Kent Central Gateway		223,243
Special Deposit - Restricted for capital expenses		6,045,587
TOTAL RESTRICTED ASSETS		6,268,830
Capital Assets Not Being Depreciated		2,187,675
Capital Assets Being Depreciated, Net		25,688,920
Capital Assets (Net of Accumulated Depreciation)		27,876,595
Net OPEB Asset		905,631
TOTAL NON-CURRENT ASSETS		35,051,056
Deferred Outflows – Pension		1,128,908
TOTAL ASSETS & DEFERRED OUTFLOWS		48,653,148
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		400,775
Accrued Sales Tax Fee & CNG Tax Payable		19,522
Accrued Payroll and Benefits		286,496
Unearned Revenue		12,860
TOTAL CURRENT LIABILITIES		719,653
NONCURRENT LIABILITIES		
Accrued Compensated Absences		234,799
Net Pension Liability		2,521,464
TOTAL NONCURRENT LIABILITIES		2,756,263
Deferred Inflows - Pension		3,364,268
Deferred Inflows - OPEB		1,028,760
Deferred Inflows - Leases		434,930
TOTAL LIABILITIES & DEFERRED INFLOWS		8,303,874
NET POSITION		
Net Investment in Capital Assets		27,876,595
Restricted for Capital Assets		6,045,587
Restricted for Kent Central Gateway		223,243
Unrestricted Net Position		6,203,849
TOTAL NET POSITION	$	40,349,274

The notes to the financial statements are an integral part of these statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES:	
Contract Services	$ 2,047,733
Passenger Fares for Transit Services	197,935
Multimodal Parking Fees	619,837
TOTAL OPERATING REVENUES	2,865,505
OPERATING EXPENSES:	
TRANSIT	
Labor and Fringe Benefits	7,118,799
OPERS Pension Expense	(2,478,441)
Services	665,809
Fuel, Materials and Supplies	930,096
Utilities	165,822
Casualty and Liability Insurance	267,404
Miscellaneous	163,556
Depreciation	3,476,415
Total Transit	10,309,460
MULTIMODAL	
Labor and Fringe Benefits	394,189
Services	75,932
Fuel, Materials and Supplies	21,737
Utilities	68,414
Miscellaneous	10,935
Depreciation	61,874
Total Multimodal	633,081
TOTAL OPERATING EXPENSES	10,942,541
Operating Income (Loss)	(8,077,036)
NON-OPERATING REVENUE:	
Federal Grants and Reimbursements	1,695,426
State Grants, Reimbursements and Special Fare Assist.	424,754
Sales Tax	7,317,803
Interest Income	217,218
Gain on Sale of Capital Assets	42,159
Other	193,999
TOTAL NON-OPERATING REVENUE	9,891,359
Net Income (Loss) Before Capital Contributions	1,814,323
Capital Contributions	2,004,790
Changes in Net Position	3,819,113
Net Position (Deficit) Beginning of Year	36,530,161
Net Position (Deficit) End of Year	$ 40,349,274

The notes to the financial statements are an integral part of these statements.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	$	2,824,004
Cash Payments to Employees for Services		(7,452,490)
Cash Payments for Goods and Services		(2,302,970)
Net Cash Provided by (Used in) Operating Activities		(6,931,456)
Cash Flows from Noncapital Financing Activities		
Sales Taxes Received		7,149,782
Other Non-Operating Revenues Received		193,999
Operating Grants Received		2,174,180
Net Cash Provided by (Used in) Noncapital Financing Activities		9,517,961
Cash Flows from Capital Financing Activities		
Capital Grants Received		2,004,790
Acquisition of Capital Assets		(2,829,876)
Sale of Capital Assets		42,159
Net Cash Provided by (Used in) Capital Financing Activities		(782,927)
Cash Flows from Investing Activities		
Interest on Investments		217,218
Net Cash Provided by (Used in) Investing Activities		217,218
Net Increase (Decrease) in Cash and Cash Equivalents		2,020,796
Cash and Cash Equivalents Beginning of Year		13,605,142
Cash and Cash Equivalents End of Year	$	15,625,938
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating Income (Loss)	$	(8,077,036)
Adjustments:		
Depreciation		3,538,289
(Increase) decrease in assets and deferred outflows of resources:		
Accounts Receivable		(44,000)
Prepaid Expenses		11,757
Materials & Supplies Inventory		36,141
Deferred Outflow – Pension & OPEB		(270,833)
Net OPEB Asset		(358,935)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts Payable		17,071
Sales Tax Fees Payable		1,766
Accrued Wages and Benefits		60,498
Unearned Revenue		2,499
Net Pension & OPEB Liability		(2,046,601)
Deferred Inflow – Pension & OPEB		197,928
Total Adjustments		1,145,580
Net Cash Provided by (Used in) Operating Activities	$	(6,931,456)

The notes to the financial statements are an integral part of these statements.

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1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

The Portage Area Regional Transportation Authority (the Authority) was created and operates pursuant to Sections 306.30 through 306.73, inclusive, of the Ohio Revised Code (ORC) as a regional transit authority with all the powers and duties outlined in Section 306.35 of the ORC for the purpose of providing public transportation in Portage County, Ohio. As a political subdivision, it is distinct from and is not an agency of, the State of Ohio or any other local government unit. The Authority is not subject to federal or state income taxes.

From 1975 through May 1993, Portage Area Regional Transportation Authority acted as a pass-through agency to the Kent State University Campus Bus Service, which operated virtually all mass transportation service for the Kent/Ravenna area. In May 1993, the Authority commenced directly providing fixed route and demand response service in the Kent/Ravenna area. The Federal Transportation Administration and the Ohio Department of Transportation provide financial assistance and make grants directly to the Authority for operations and acquisition of property and equipment.

Under Ohio law, the Authority is authorized to levy a Sales and Use tax for transit purposes, including both capital improvement and operating expenses, at the rate of .25 percent, .5 percent, 1 percent, or 1.5 percent if approved by a majority of the electors residing within the territorial boundaries of the Authority. Such a Sales and Use tax is in addition to the sales and use taxes levied by the State of Ohio and Portage County. In November 2001 the Portage County Voters elected to pass a 5-year Sales and Use tax of one quarter of one percent (0.25%). On November 8, 2005, the Portage County Voters elected to renew and make continuous the Sales and Use tax of one quarter of one percent (0.25%).

Management believes the financial statements included in this report represent all of the funds of the Authority, over which the Authority has the ability to exercise direct operating control.

B. REPORTING ENTITY

In evaluating how to define the Authority for financial reporting purposes, management has considered all agencies, departments and organizations making up the Portage Area Regional Transportation Authority (the primary government) and its potential component units consistent with Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The Authority has no component units. These conclusions regarding the financial reporting entity are based on the concept of financial accountability. The Authority is not financially accountable for any other organization.

C. BASIS OF ACCOUNTING

The Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income, financial position, and cash flows. All transactions are accounted for in a single enterprise fund.

D. CASH AND CASH EQUIVALENTS

The Authority considers highly liquid investments, with an original maturity of three months or less, to be cash equivalents. Investment procedures are restricted by the provisions of the ORC.

E. RESTRICTED ASSETS

Restricted assets are designated annually. These assets are the Authority’s required local match for the future purchase of capital assets.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. PROPERTY, FACILITIES AND EQUIPMENT

Property, facilities, and equipment are stated at historical cost. The costs of normal maintenance and repairs are charged to operations as incurred. The Authority maintains a capitalization threshold of $5,000.

Depreciation is computed using the straight-line method over the following estimated useful lives of the individual assets:

Description	Estimates Lives
Building and building improvements	40 years
Transportation equipment	4-12 years
Computers and software	5 years
Other equipment	5-13 years

G. MATERIALS AND SUPPLIES

Materials and supplies are stated at the lower of cost or market. Cost is determined on the first-in, first-out (FIFO) basis. The costs of inventory items are recorded as expenses when used.

H. ACCUMULATED UNPAID VACATION AND PERSONAL LEAVE

Employees of the Authority are permitted to carry over year-end vacation and personal/sick leave balances at various rates under the Authority’s policy.

I. DEFERRED OUTFLOW/INFLOWS OF RESOURCES

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows 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 outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the statements of financial position 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 as an inflow of resources (revenue) until that time.

J. PENSIONS AND OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

The current accounting standard requires the Authority to report their proportionate share of the net pension liability, or OPEB asset, using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and post employment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s net pension liability, or OPEB asset. Under the new standards, the net pension liability, or OPEB asset, equals the Authority proportionate share of the pension plan’s collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees’ past service minus plan assets available to pay these benefits.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other post employment benefits. The unfunded portion of this benefit of exchange is a liability of the Authority. However, the Authority is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension liability or the net OPEB asset. The Authority has no control over the changes in the benefits, contributions rate, and return on investments affecting the balance of these liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, the State statue does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension liability and the OPEB asset are satisfied, these liabilities are separately identified within the long-term liability or non-current asset sections of the statement of net position.

K. GRANTS

Grants are recognized as non-operating revenues, or capital contributions, in the accounting period in which they are earned and become measurable.

L. BUDGETARY ACCOUNTING CONTROL

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

M. USE OF ESTIMATES

The accounting and reporting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

N. NET POSITION

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net Position is displayed in three components as follows:

Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
Restricted – This consists of special deposits set aside for the purpose of providing local match of federal capital projects. The Authority has $6,268,830 of restricted net position for capital assets on December 31, 2022.
Unrestricted – This consists of a net position that does not meet the definition of "restricted" or "net investment in capital assets".

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. NONEXCHANGE TRANSACTIONS

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, primarily include grants for operating assistance as well as the acquisition of property, facilities and equipment. Substantially all the Authority's grants are reimbursement-type grants, which are recorded as revenue in the period the related expenditures are incurred. Any grants received in advance of the period in which the related expenditures are incurred, are recorded as restricted assets and as unearned revenue.

P. CLASSIFICATION OF REVENUES

The Authority has classified its revenues as either operating or nonoperating. Operating revenue includes activities that have the characteristics of exchange transactions including passenger fares and contract services. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as sales tax proceeds and most federal, state, and local grants and contracts.

Q. PERMISSIVE SALES AND USE TAX

A county-wide, .25 percent sales and use tax dedicated to transit generates approximately $6.0 million in operational revenue for the authority annually. Voters initially voted to fund the .25 percent sales tax for a five-year term, beginning in 2002. The Authority proposed renewal of the sales tax on a continuing basis in 2005, in an effort to secure this vital source of operational revenue beyond the five-year term. Voters agreed, and the continuing levy replaced the short-term tax beginning in 2006.

The Authority accrues three (3) months of sales tax revenue and administrative fee expense at the end of the year to account for the sales receipts generated in the reporting year, but not yet received by the Authority.

2. CASH AND INVESTMENTS

The investment and deposit of Authority monies are governed by the provisions of the ORC. In accordance with these statutes, 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, commercial paper, savings accounts, money market accounts, the State Treasurer's Asset Reserve investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof.

The Authority may also enter into repurchase agreements with any eligible depository or any eligible security dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. 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 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 two percent and be marked to market daily. State law does not require that security for public deposits and investments 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.

STAR 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

2. CASH AND INVESTMENTS (Continued)

as an investment company and is recognized as an external investment pool by the Authority. The Authority 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 NAV per share that approximates fair value.

For this reporting period, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $100 million. STAR Ohio reserves the right to limit the transaction to $250 million, 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.

Custodial Credit Risk- The risk that, in the event of a bank failure, the Authority's deposits may not be returned. Public depositories must give security for all public funds on deposit. The Authority has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Authority and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105% of the deposits being secured, or (2)participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Deposits: On December 31, 2022, the carrying amount of the Authority's deposits (excluding petty cash and change funds of $2,500) was $1,930,268 and the bank balance of $1,940,194 was not exposed to custodial credit risk.

Investments: The Authority invested in STAR Ohio with a balance, as of December 31, 2022, of $13,693,170. This is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk- The ORC generally limits security purchases to those that mature within five years of the settlement date. It is the Authority's policy to evaluate market conditions, interest rate forecasts, and cash flow requirements to consider the term of an investment, with the goal being to buy where relative value exists along the maturity spectrum.

Credit Risk- The possibility that an issuer or other counterparty to an investment will not fulfill its obligation. Standard & Poor's has assigned STAR Ohio an AAA money market rating.

Concentration of Credit Risk- The Authority places no limit on the amount that may be invested in any one issuer. During the year, the Authority's investments were in STAR Ohio. STAR Ohio investments consist of federal securities and certificates of deposit held by third party banks. Each participant participates on percentage basis as determined by their particular balance.

Investment Type	NAV Value	% to Total
STAR Ohio	$13,693,170	100%

Interest revenue during fiscal year 2022 amounted to $217,218.

3. DEFINED BENEFIT PENSION AND OPEB PLANS

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions/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 net pension/OPEB liability (asset) represent the Authority's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/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.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The ORC permits, but does not require, the retirement system to provide healthcare to eligible benefit recipients.

A. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Plan Description - The Authority employees, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the MD. 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. The authority to establish and amend benefits is provided by Chapter 145 of the ORC. 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.

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

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 the Final Average Salary (FAS) for the three-member groups under the traditional and combined plan as per the reduced benefits adopted by SB 343 (see OPERS Annual Comprehensive Financial Report (ACFR) referenced above for additional information):

Group A	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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 and service requirements:**	**Age and service requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. 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, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent. Additionally, 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 and Combined Plan.

Funding Policy - The ORC provides statutory authority for member and employer contributions as follows:

	State and Local
2022 Statutory Maximum Contribution Rates	
Employer	14.00%
Employee	10.00%
2022 Actual Contribution Rates	
Employer:	
Pension	14.00%
Post Employment Health Care Benefits	-
Total Employer	14.00%
Total Employee	10.00%

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

The Authority's contractually required contribution was $685,061 for 2022. Of this amount, $97,065 is reported in accrued payroll and benefits liability.

Net 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 Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	2022 OPERS
Proportion of the Pension Liability	
-prior measurement date	0.000308%
Proportion of the Pension Liability	
-current measurement date	0.0002908%
Change in Proportionate Share	-0.000019%
Proportionate Share of Net Pension Liability	$ 2,521,464
Pension Expense	$ (841,586)

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

		2022 OPERS
Deferred Outflows of Resources		
Net Difference between Expected and Actual Experience	$	128,541
Changes in Assumptions		315,306
Authority Contributions Subsequent to the Measurement Date		685,061
Total Deferred Outflows of Resources	$	1,128,908
Deferred Inflows of Resources		
Differences between Expected and Actual Experience	$	55,302
Net Difference between Projected and Actual Earnings on pension plan investments		2,999,190
Changes in Proportionate Share and Differences between Authority Contributions and Proportionate Share of Contributions		309,776
Total Deferred Inflows of Resources	$	3,364,268

$685,061 reported as deferred outflows of resources related to pension resulting from Authority 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:

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

	OPERS
Year ending December 31:	
2023	$ (640,152)
2024	(1,097,936)
2025	(705,231)
2026	(477,102)
Total	$ (2,920,421)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (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 in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	2.75 percent
Future salary increases, including inflation – Traditional Plan	2.75 percent to 10.75 percent
Future salary increases, including inflation – Combined Plan	2.75 percent to 8.25 percent
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent, simple Post January 7, 2013 retirees, 3 percent, simple through 2020, then 2.05 percent, simple
Investment rate of return	6.9 percent
Actuarial cost method	Individual entry age

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

The most recent experience study was completed for the five year period ended December 31, 2020.

The long-term 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 real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

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

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2021 and the long-term expected real rates of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (arithmetic)
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	100.00%	4.21%

Discount Rate

The discount rate used to measure the total pension liability was 6.9%. 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 benefits 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.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net pension liability calculated using the current period discount rate assumption of 6.9%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.9%) or one-percentage-point higher (7.9%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
Authority's Proportionate Share of the Net Pension Liability	$ 6,647,952	$ 2,521,464	$ (912,322)

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

B. DEFINED BENEFIT PENSION PLANS

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.

In order to qualify for post employment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. (See OPERS' Annual Comprehensive Financial Report (ACFR) referenced below for additional information.)

The ORC 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 ORC.

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 ORC provides the statutory authority requiring public employers to fund post employment health care through their contributions to OPERS. When funding is approved by the 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 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the ORC. 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. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2022 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Authority's contractually required contribution was $0 for 2022.

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

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

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

	2022 OPERS
Proportion of the Net OPEB Liability/Asset:	
Prior measurement date	0.030686%
Current measurement date	0.028914%
Change in proportionate share	-0.001772%
Proportionate Share of the Net	
OPEB Liability/(Asset)	$ (905,631)
OPEB Expense	$ (951,794)

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

	2022 OPERS
Deferred Outflows of Resources	
Differences between Expected and Actual Experience	$ -
Changes of Assumptions	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	-
Total Deferred Outflows of Resources	$ -
Deferred Inflows of Resources	
Differences between Expected and Actual Experience	$ 137,370
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	431,741
Changes of Assumptions	366,589
Changes in Proportion & Differences between Contributions and Proportionate Share of Contribution	93,060
Total Deferred Inflows of Resources	$ 1,028,760

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

Year Ending December 31:	OPERS
2023	$ (661,480)
2024	(210,942)
2025	(94,333)
2026	(62,005)
TOTAL	$ (1,028,760)

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, rolled forward to the measurement date of December 31, 2021. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Experience study	5-year period ended December 31, 2020
Wage inflation	2.75 percent
Projected salary increases	2.75 percent to 10.75 percent (including wage inflation at 3.25 percent)
Single discount rate:	
Current measurement date	6.00 percent
Prior measurement date	6.00 percent
Investment rate of return	6.00 percent
Municipal bond rate	1.84 percent
Health Care cost trend rate	5.5 percent, initial
	3.50 percent, ultimate in 2034
Actuarial cost method	Individual entry age normal

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

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

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 real rates of return are developed for each major asset class.

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of geometric real rates of return were provided by the Board's investment consultant. 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	Real Rate of Return (arithmetic)
Fixed income	34.00%	0.91%
Domestic equities	25.00%	3.78%
Real Estate Investment Trust	7.00%	3.71%
International equities	25.00%	4.88%
Risk Parity	2.00%	2.92%
Other investments	7.00%	1.93%

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

Discount Rate

A single discount rate of 6.00% was used to measure the OPEB liability/asset 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) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on the actuarial assumed rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 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 Authority's Proportionate Share of the Net OPEB Liability/Asset to Changes in the Discount Rate

The following table presents the Authority's proportionate share of the net OPEB asset calculated using the single discount rate of 6.00 percent, as well as what the Authority's proportionate share of the net OPEB liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (5.00%) or one-percentage-point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7%)
Authority's Proportionate Share of the Net OPEB Asset	$ (532,596)	$ (905,631)	$ (1,215,255)

3. DEFINED BENEFIT PENSION AND OPEB PLANS (Continued)

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

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability/asset. The following table presents the net OPEB asset calculated using the assumed trend rates, and the expected net OPEB asset if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Authority's Proportionate Share of the Net OPEB Asset	$ (915,417)	$ (905,631)	$ (3,785,421)

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 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries' project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

4. OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees of the Authority earn vacation and sick leave at various rates under the Authority policy. In case of death, termination or retirement, an employee (or his estate) is paid for portions of these benefits. The Authority records a liability for vacation, holiday and sick hours earned but not used at year-end at the employee's current wage rate. The Authority's obligation for this amount on December 31, 2022, was $348,661. The current obligation is calculated to be $113,862, and the non-current obligation is calculated to be $234,799.

5. RISK MANAGEMENT

Property and Casualty

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, flood and earthquake, errors, and omissions, employment related matters, injuries to employees Cyber, employee theft and fraud. The Authority belongs to the Ohio Transit Risk Pool Association ("OTRP"). OTRP is a self -insurance pool formed under ORC 2744.081, related to its risk of property and casualty loss. Under this plan, the Authority receives property and casualty loss coverage in exchange for contributions paid. OTRP self-insures the first $250,000 of any qualified property loss subject to a $1,000 deductible for auto physical damage and for commercial property. For liability coverages per occurrence OTRP self-insured the first $2,000,000 of any qualified casualty loss subject to a $1,000 per loss deductible.

Per occurrence, reinsurance coverage is maintained by OTRP equal to approximately $250,000,000 for qualified property losses and $10,000,000 for qualified casualty losses. Any underfunding of the plan's 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 Authority 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.

6. PROPERTY, FACILITIES, AND EQUIPMENT

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

Description	Balance 12/31/2021	2022 Additions	2022 Deletions	Balance 12/31/2022
Land	$ 2,187,675	$ -	$ -	$ 2,187,675
Capital Assets being Depreciated:				
Building and building improvements	32,931,685	284,428	(1,273,278)	31,942,835
Transportation equipment	17,601,964	2,361,817	(1,459,265)	18,504,516
Computers and software	2,310,555	172,343	(526,559)	1,956,339
Other equipment	385,954	-	(1,200)	384,754
Other KCG	510,608	11,288	-	521,896
Total Capital Assets being Depreciated	53,740,766	2,829,876	(3,260,302)	53,310,340
TOTAL CAPITAL ASSETS	55,928,441	2,829,876	(3,260,302)	55,498,015
Less Accumulated Depreciation:				
Building and building improvements	(14,588,093)	(1,552,362)	1,273,278	(14,867,177)
Transportation equipment	(10,164,969)	(1,713,470)	1,459,265	(10,419,174)
Computers and software	(1,894,550)	(201,947)	526,559	(1,569,938)
Other equipment	(354,417)	(8,636)	1,200	(361,853)
Other KCG	(341,404)	(61,874)	-	(403,278)
Total Accumulated Depreciation	(27,343,433)	(3,538,289)	3,260,302	(27,621,420)
Total Capital Assets being Depreciated, net	26,397,333	(708,413)	-	25,688,920
TOTAL CAPITAL ASSETS, net	$28,585,008	$ (708,413)	$ -	$27,876,595

7. CONTINGENCIES

The Authority received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreements. These grants are subject to audit by the grantor agencies and disallowed claims resulting from these audits could become a liability of the Authority.

8. LONG TERM OBLIGATIONS

The long-term obligations on December 31, 2022 are as follows:

	January 1	Increase	Decrease	December 31	Due w/in 1 year
Net Pension Liability	$ 4,568,065	-	$ 2,046,601	$ 2,521,464	-
Comp Absences	333,345	181,617	166,301	348,661	$113,862
Total	$4,901,410	$181,617	$ 2,212,902	$ 2,870,125	$113,862

9. SUBSEQUENT EVENTS/PENDING LITIGATION

Management believes there are no pending claims or lawsuits, which would potentially have a material effect on the financial statements.

Portage Area Regional Transportation Authority

Required Supplementary Information

Schedule of Portage Area Regional Transit Authority Proportionate Share of the Net Pension Liability

Last Nine Years (1)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Ohio Public Employees Retirement System (OPERS) - Traditional Plan									
Authority's proportion of the net pension liability	0.028981%	0.030849%	0.032545%	0.036520%	0.034242%	0.033801%	0.033684%	0.033129%	0.033129%
Authority's proportionate share of the net pension liability	$ 2,521,464	$ 4,568,065	$ 6,432,470	$ 9,490,480	$ 5,371,906	$ 7,675,632	$ 5,834,493	$ 3,995,728	$ 3,905,477
Authority's covered payroll	$ 4,206,000	$ 4,344,936	$ 4,578,993	$ 4,836,964	$ 4,533,654	$ 4,345,025	$ 4,191,842	$ 4,075,475	$ 3,930,800
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	59.95%	105.14%	140.48%	196.21%	118.49%	176.65%	139.19%	98.04%	99.36%
Plan fiduciary net position as a percentage of total pension liability	92.62%	86.88%	84.17%	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Information prior to 2014 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

Portage Area Regional Transportation Authority

Required Supplementary Information

Schedule of Portage Area Regional Transit Authority Contributions - Pension

Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Ohio Public Employees Retirement System (OPERS) - Traditional Plan										
Contractually required contribution	$ 685,061	$ 588,840	$ 608,291	$ 641,059	$ 677,175	$ 589,375	$ 521,403	$ 503,021	$ 489,057	$ 511,004
Contributions in relation to contractually required contribution	(685,061)	(588,840)	(608,291)	(641,059)	(677,175)	(589,375)	(521,403)	(503,021)	(489,057)	(511,004)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority covered payroll	$ 4,893,293	$ 4,206,000	$ 4,344,936	$ 4,578,993	$ 4,836,964	$ 4,533,654	$ 4,345,025	$ 4,191,842	$ 4,075,475	$ 3,930,800
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

Portage Area Regional Transportation Authority

Required Supplementary Information

Schedule of Portage Area Regional Transit Authority Proportionate Share of the Net OPEB Liability or Asset

Last Six Years (1)

	2022	2021	2020	2019	2018	2017
Ohio Public Employees Retirement System (OPERS) - Traditional Plan						
Authority's proportion of the net OPEB liability or asset	0.028915%	0.030686%	0.032618%	0.034483%	0.034050%	0.033808%
Authority's proportionate share of the net OPEB liability (asset)	$ (905,631)	$ (546,696)	$ 4,505,393	$ 4,495,769	$ 3,697,579	$ 3,414,723
Authority's covered payroll	$ 4,206,000	$ 4,344,936	$ 4,578,993	$ 4,836,964	$ 4,533,654	$ 4,345,025
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	(21.53%)	(12.58%)	98.39%	92.95%	81.56%	78.59%
Plan fiduciary net position as a percentage of total OPEB liability or asse	128.23%	115.57%	47.80%	46.33%	54.14%	54.05%

(1) Information prior to 2017 is not available and the amounts presented are as of the Authority's measurement date which is the prior year end.

Portage Area Regional Transportation Authority

Required Supplementary Information
Schedule of Portage Area Regional Transit Authority Contributions - OPEB
Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Ohio Public Employees Retirement System (OPERS) - Traditional Plan										
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ 48,230	$ 93,441	$ 89,188	$ 86,712	$ 41,817
Contributions in relation to contractually required contribution	-	-	-	-	-	(48,230)	(93,441)	(89,188)	(86,712)	(41,817)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority covered payroll	$ 4,893,293	$ 4,206,000	$ 4,344,936	$ 4,578,993	$ 4,836,964	$ 4,533,654	$ 4,345,025	$ 4,191,842	$ 4,075,475	$ 3,930,800
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	2.00%	1.00%

Net Pension Liability

Ohio Public Employees Retirement System (OPERS)

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

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

Net OPEB Liability or Asset

Ohio Public Employees Retirement System (OPERS)

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

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

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
PORTAGE COUNTY

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

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal Assistance Listing Number**	**FTA Grant Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF TRANSPORTATION:			
Direct Programs:			
Federal Transit Cluster:			
Urbanized Area Formula Grant	20.507	OH-2022-035	$1,000,000
Urbanized Area Formula Grant	20.526	OH-2022-035	$178,178
Urbanized Area Formula Grant (ARPA)	20.507	OH-2021-029	659,171
Urbanized Area Formula Grant	20.526	OH-2021-017	446,742
Urbanized Area Formula Grant	20.507	OH-2021-017	832,000
Urbanized Area & Bus and Bus Facility Formula Program	20.526	OH-2019-034	297,375
Total Federal Transit Cluster			**3,413,466**
Transit Services Programs Cluster:			
Direct Program:			
Enhanced Mobility of Seniors & Ind. with Disabilities Program	20.513	OH-2018-034	35,569
Passed through the Ohio Department of Transportation			
Enhanced Mobility of Seniors & Ind. With Disabilities Program	20.513	OH-2022-058 & OH-2022-55	147,181
Total Transit Services Cluster			**182,750**
Total U.S. Department of Transportation			**182,750**
Total Expenditures of Federal Awards			**$3,596,216**

The accompanying notes are an integral part of this schedule.

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
PORTAGE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PREPARED BY MANAGEMENT
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 Portage Area Regional Transportation Authority (the Authority's) under programs of the federal government for the year ended December 31, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 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 Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - MATCHING REQUIREMENTS

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

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Certified Public Accountants Fax - (216) 436-2411

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

Portage Area Regional Transportation Authority
Portage County
2000 Summit Road
Kent, Ohio 44240-7140

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the Portage Area Regional Transportation Authority, Portage County, Ohio (the Authority) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 19, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
June 19, 2023

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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

Portage Area Regional Transportation Authority
Portage Authority
2000 Summit Road
Kent, Ohio 44240-7140

To the Board of Trustees:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

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

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

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
June 19, 2023

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY
PORTAGE COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2022

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	Federal Transit Cluster ALN #20.507 and #20.526
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR §200.520?**	Yes

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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OHIO AUDITOR OF STATE
KEITH FABER

PORTAGE AREA REGIONAL TRANSPORTATION AUTHORITY

PORTAGE 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 8/17/2023

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